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Crop Prospects and Food Situation

HIGHLIGHTS

- **World cereal production in 2008 is forecast to increase 2.6 percent to a record 2 164 million tonnes. The bulk of the increase is expected to be in wheat** following significant expansion in plantings in major producing countries. Coarse grains output is tentatively forecast to remain around the bumper level of last year. Rice production is foreseen to increase slightly reflecting production incentives in several Asian countries. However, much will depend on climatic conditions in the coming months.
- **Should the expected growth in 2008 production materialize, the current tight global cereal supply situation could ease in the new 2008/09 season**.
- **International cereal prices have risen further in the past two months reflecting steady demand**. Prices of rice increased the most following the imposition of new export restrictions by major exporting countries. By the end of March prices of wheat and rice were about twice their levels of a year earlier, while those of maize were more than one-third higher.
- **In 2007/08 the cereal import bill of the LIFDCs as a group is forecast to increase considerably for the second consecutive year. Prices of basic foods have soared in domestic markets across the world leading to social unrest in several countries** in Asia, Africa and Latin America and the Caribbean. Governments of both cereal importing and exporting countries are taking a series of measures to limit the impact of higher international cereal prices on food consumption.
- **In the LIFDCs, as a group, early prospects point to another only marginal increase in 2008 cereal production.** Excluding the largest countries, China and India, the output of the remaining LIFDCs is tentatively forecast to decline slightly.
- **In Southern Africa, where the 2008 main season cereal harvest is about to start, aggregate output is forecast to increase sharply** from last year's level. However, another reduced crop is anticipated in Zimbabwe. In **North Africa,** a strong recovery of winter cereal production is expected after severe drought in 2007.
- **In Asia, prospects for the 2008 wheat crop, already close to harvest, are favourable** although outputs are forecast below the record levels of last year. In **South America**, a record 2008 maize crop is being gathered mainly due to larger plantings. In **Central America,** a good wheat crop is expected in Mexico.

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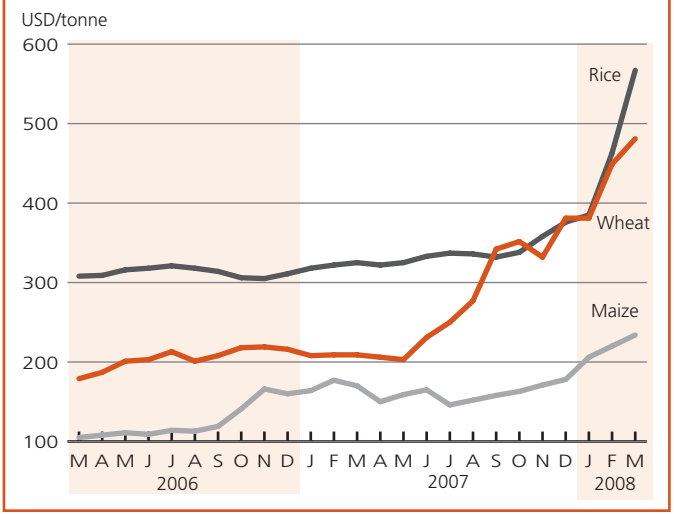
Selected international cereal prices



Countries in crisis requiring external assistance[1] (37 countries)

AFRICA (21 countries)

Exceptional shortfall in aggregate food production/supplies

Lesotho	Multiple year droughts until last season
Somalia	Conflict, adverse weather
Swaziland	Multiple year droughts until last season
Zimbabwe	Deepening economic crisis, drought last season, recent floods

Widespread lack of access

Eritrea	IDPs, economic constraints
Liberia	Post-conflict recovery period
Mauritania	Several years of drought
Sierra Leone	Post-conflict recovery period

Severe localized food insecurity

Burundi	Civil strife, IDPs and returnees
Central African Republic	Refugees, insecurity in parts
Chad	Refugees, conflict
Congo, Dem. Rep.	Civil strife, returnees
Congo, Rep. of	IDPs
Côte d'Ivoire	Civil strife
Ethiopia	Insecurity in parts, localized crop failure
Ghana	Drought and floods
Guinea	Refugees
Guinea-Bissau	Localized insecurity
Kenya	Civil strife, adverse weather
Sudan	Civil strife
Uganda	Civil strife in the north, localized crop failure

ASIA (10 countries)

Exceptional shortfall in aggregate food production/supplies

Iraq	Conflict and insecurity

Widespread lack of access

Afghanistan	Conflict and insecurity
Korea, DPR	Economic constraints and effects of past floods

Severe localized food insecurity

Bangladesh	Past floods and cyclone, avian influenza
China	Disastrous cold, ice and snow in the south
Indonesia	Landslides/floods, earthquakes
Nepal	Poor market access, conflict and past floods
Pakistan	Insecurity and past floods
Sri Lanka	Conflict and floods
Tajikistan	Severe cold, floods/landslides, poor market access
Timore-Leste	IDPs, past drought and floods
Viet Nam	Cold spell in the north

LATIN AMERICA (5 countries)

Severe localized food insecurity

Bolivia	Floods
Dominican Rep.	Past floods
Ecuador	Floods
Haiti	Past floods
Nicaragua	Past floods

Europe (1 country)

Exceptional shortfall in aggregate food production/supplies

Moldova	Drought, limited access to inputs for winter cropping

Countries with unfavourable prospects for current crops[2]

AFRICA

Ethiopia	Insufficient rainfall
Kenya	Insufficient rainfall
Somalia	Adverse weather, conflicts
Zimbabwe	Early floods and late dry spells in parts, shortage of inputs

Terminology

[1] **Countries in crisis requiring external assistance** are expected to lack the resources to deal with reported critical problems of food insecurity. Food crises are nearly always due to a combination of factors but for the purpose of response planning, it is important to establish whether the nature of food crises is **predominantly** related to lack of food availability, limited access to food, or severe but localized problems. Accordingly, the list of countries requiring external assistance is organized into three broad, not mutually exclusive, categories:

- Countries facing an **exceptional shortfall in aggregate food production/supplies** as a result of crop failure, natural disasters, interruption of imports, disruption of distribution, excessive post-harvest losses, or other supply bottlenecks.
- Countries with **widespread lack of access**, where a majority of the population is considered to be unable to procure food from local markets, due to very low incomes, exceptionally high food prices, or the inability to circulate within the country.
- Countries with **severe localized food insecurity** due to the influx of refugees, a concentration of internally displaced persons, or areas with combinations of crop failure and deep poverty.

[2] **Countries facing unfavourable prospects for current crops** are countries where prospects point to a shortfall in production of current crops as a result of the area planted and/or adverse weather conditions, plant pests, diseases and other calamities, which indicate a need for close monitoring of the crop for the remainder of the growing season.

Food emergencies update

In **Western Africa**, a relatively good cereal crop was gathered in 2007 in the Sahel (with the exception of Senegal and Cape Verde) but coarse grain production declined significantly in a few countries along the Gulf of Guinea, notably in northern **Nigeria** and **Ghana,** leading to a tight food supply situation at regional level, with rising food prices reported in **Benin**, **Burkina Faso, Ghana, Niger**, **Nigeria** and **Togo.** In the western part of the subregion, where food prices are influenced mainly by international markets due to the high dependence of these countries on wheat and rice imports, both rural and urban consumers have been affected by the prevailing high international cereal prices, notably in **Guinea-Bissau**, **Mauritania** and **Senegal**. Throughout the subregion the impact of high food prices will be more severe in localized areas where yields were sharply reduced by delayed rains or floods. In these areas populations may require assistance.

In **Central Africa**, although an above-average cereal harvest was gathered in **Cameroon** in 2007, soaring international food prices have pushed up domestic prices of several basic foodstuffs; this has caused serious social unrest recently. In spite of measures taken by the Government to ease the impact on the population, poor urban consumers and vulnerable groups in rural areas, whose production was affected by dry spells or floods, need to be continuously monitored and assisted as necessary.

In **Eastern Africa**, notwithstanding generally good crops in the last two years, largely in the main producing countries of the subregion, millions of people continue to rely on humanitarian food assistance due to unfavourable weather, conflict, civil strife or a combination of these. In **Somalia**, the food security situation continues to deteriorate for more than 2 million people - including an estimated 1 million IDPs, who are in need of basic humanitarian assistance or livelihood support for at least six months. Intensive conflict in Mogadishu continues to force an average 20 000 people to leave their homes each month. With record high food prices, hyperinflation and drought in large parts of the country, communities are struggling to survive. The country desperately needs good rainfall in the next (April-June) rainy season to avoid a worsening of already extreme water and food shortages. In **Kenya**, a drastically reduced "short-rains" cereal crop and post-election political unrest have resulted in a serious humanitarian situation for an estimated 500 000 people. Some 207 000 people living in camps are facing a humanitarian emergency. The greater disruption of markets, which followed the political unrest, has produced an increase in the cost of agricultural inputs. As a result, about half of the agricultural land in North Rift, the key maize producing area, has not yet been prepared for the planting season this month. About 60 000 people are facing starvation in Taita-Taveta District alone. Acute food crises are also evident in Turkana District, while there is a gradual deterioration in food security in eastern pastoral areas. Food shortages are also reported in lowlands that experienced up to 80 percent of crop failure. In **Eritrea**, current high food prices continue to adversely affect a large number of vulnerable people. In **Ethiopia**, despite a bumper cereal harvest for two consecutive years, 8 million people remain chronically food insecure. Another 2 million are affected by civil insecurity, high food prices and localized unfavourable weather, and require emergency relief. In **Sudan**, conflicts between Misserya nomads and Sudanese security forces in northern Bahr el Ghazal are spreading to Abyei County and northern Unity States, causing market disruptions and threatening food security. In the north, as a result of continuing insecurity in Darfur, displacement and loss of livelihoods are expected to continue and malnutrition rates are likely to increase in the coming months. In the **United Republic of Tanzania**, areas in the region of Arusha and Iringa are facing a food shortage following the eruption of mount Oldongai volcano. In **Uganda**, the entire Karamoja population of 1 million people is food insecure and in need of emergency food aid as a result of flood damage, prolonged insecurity, drought in 2006, a late start to the 2007 cropping season, and falling livestock prices.

In **Southern Africa**, vulnerable populations in several countries are facing the peak of the hunger period due to exhaustion of stocks, compounded by high domestic and imported food prices. The next harvest will begin from mid-April onwards. Households who lost their current crops to floods require urgent agricultural assistance, especially seed and fertilizer, to permit cultivation of the low lands during the secondary season which has already begun in March. Flood losses were significant in **Mozambique, Zimbabwe, Zambia, Malawi** and **Madagascar**. In **Zimbabwe**, in spite of abundant rainfall during the first half of the season, extended dry weather since February, deepening economic crisis, shortages of fertilizer and other chemicals are expected to result in a reduced harvest. Current inflation of over 100 000 percent and shortages of food and non-food items affecting the estimated 4.1 million vulnerable people are equally of concern. In **Lesotho** and **Swaziland** although some recovery is expected, asset depletion due to multiple poor harvests, widespread poverty and the impact of HIV/AIDS, have led to serious food insecurity.

In the **Great Lakes** region, serious fighting in the north-eastern parts of the **Democratic Republic of the Congo** has displaced large numbers of people who require food assistance. Current peace agreements would help IDPs to resettle but they need substantial assistance to restart farming activities. Food and agricultural aid is also needed in **Burundi,** especially for resettling returnees and IDPs.

In **Far East Asia**, the **Democratic People's Republic of Korea** faces severe food shortage. A sharply below-average cereal harvest in 2007 led to an estimated cereal deficit for the 2007/08 marketing year (November/October) of 1.66 million tonnes. In **Bangladesh**, over four months after Cyclone Sidr hit the country, large-scale humanitarian relief operations are still ongoing in 30 districts to assist the most affected 8.9 million people. In **Sri Lanka**, food security continues to be affected by the resurgence of civil conflict, natural disasters (recent floods), as well as rising cereal prices. The food security situation has also continued to deteriorate in the past months in **Timor-Leste** and **Nepal** due to political instability and rising food prices. In Timor-

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Leste, a state of emergency, declared soon after the February 11 attacks, was extended for another month to April. In **China**, 20 southern provinces suffered from disastrous cold, ice, and snow in January and February, and some 100 million people are officially estimated to have been affected. The most severely impacted crops and products include rapeseed, vegetables, fruits, forest products, and livestock products. Similarly, unusually cold weather in **Viet Nam** has been sweeping through the upland areas near the Viet Nam-China border, making it a record-long cold spell. About 150 000 hectares of rice were destroyed, with a loss of about USD 25 million and about 90 000 head of cattle or buffalo have perished. In **Indonesia** and **Bangladesh** the Avian flu situation remains critical despite containment efforts undertaken by national authorities and the international community.

In the **Near East**, in **Iraq**, following some improvement in the security situation, refugees in the Syrian Arab Republic continue to return to their homes, although large-scale movements have not yet been noted. It is estimated that around 45 000 individuals - out of a total of 1 million present in Syria - have returned to Iraq in 2007. The internally displaced people are currently estimated at 2.77 million, of whom more than 1 million are in need of adequate shelter and food. In addition, over 1 million do not have access to regular income. Recent clashes in the country's second largest city of Basra, as well as in other southern governorates, have caused the cessation of humanitarian assistance to IDPs and vulnerable populations.

In **Central America and the Caribbean**, **Haiti**, **the Dominican Republic** and **Nicaragua** are still recovering from damage caused by tropical storms and hurricanes in late 2007.

In **South America**, severe floods in **Bolivia**, **Ecuador** and **Peru** have led to reduced plantings and yield loss of several food and cash crops such as paddy, maize, potatoes, soybean, bananas, cocoa and vegetables. In Bolivia, the important livestock sector has also suffered losses of several thousand head of cattle and reduction of pasture availability due to waterlogging.

Global cereal supply and demand brief

World cereal supply could improve in 2008/09

Assuming that the current forecast of an increase in cereal production in 2008 will materialize, the global cereal supply situation in 2008/09 is likely to improve, paving the way for a gradual recovery from prevailing tight market conditions. With most of the anticipated production expansion to occur in several major cereal exporting countries, exportable supplies are expected to recover significantly from their sharply reduced levels this season.

An improvement in the cereal supply/demand situation next season would be a welcome development for many Low-Income Food-Deficit Countries (LIFDCs). The very tight situation of the current 2007/08 season has led to a steady rise in world prices of all cereals, pushing up the food import bill of many importing countries and generating widespread sharp increases in domestic food prices.

The generally positive supply scenario for the new season must be considered with caution as the final outcome of harvests in 2008 still depends critically on weather during the remainder of the agricultural seasons. At this time last year, prospects for cereal production in 2007 were far better than the eventual outcome. Unfavourable climatic conditions devastated crops in Australia and reduced harvests in many other countries, particularly in Europe. But favourable climatic conditions will be even more critical for production in 2008 because world cereal reserves are depleted. Most countries are struggling with critically low stock levels and require improved world supplies in the new season. Any major shortfalls resulting from unfavourable weather, particularly in exporting countries, would prolong the current tight situation, contribute to more price rallies in world markets, and exasperate the economic hardship already facing many countries.

PRODUCTION

World cereal production to increase in 2008

FAO's first forecast for world **cereal** production in 2008 stands at a record 2 164 million tonnes (including rice in milled terms), 2.6 percent up from last year's crop, which was the previous global high. The bulk of the increase is expected in **wheat**, output of which is set to reach some 647 million tonnes, 6.8 percent up from 2007 and also a new record. In the northern hemisphere, where many crops are already well developed, significantly larger outputs are forecast in North America and Europe. In the United States, winter wheat plantings increased by 4 percent and latest indications also point to a large expansion of the spring-sown area. Thus, assuming normal yields, this year's crop is forecast to turn out at about 60 million tonnes, well above last year and the recent average. The bulk of planting has yet to get underway in Canada but early indications point to a large area increase. In Europe, the winter wheat area has expanded in most major producing countries and crops continue to develop well throughout the region, pointing to better yields than last year's below-average levels, especially in some eastern parts that were hit by severe drought in 2007. Production in the EU is tentatively forecast to reach about 137 million tonnes this year, 13 percent up from 2007's reduced output. In the CIS countries of Europe, larger wheat areas in the Russian Federation and Ukraine, and

an expected recovery in yields in the latter country after drought last year, should help to lift the subregion's wheat output to a bumper level for 2008 over 70 million tonnes. In Asia, prospects for the winter wheat crops are generally favourable but aggregate output in the region looks likely to slip back somewhat from last year's record level. A large part of the decline is expected in Kazakhstan in the CIS region where, despite increased plantings, a return to normal yields after bumper highs last year would result in a smaller harvest. A smaller harvest is also forecast in India, after a record crop last year. In China, the largest producer in the region, this year's wheat output is expected to remain virtually unchanged from last year's record level assuming an expected increase in the spring wheat crop offsets the impact of adverse weather on some of the winter wheat in northern parts. In North Africa, wheat crop prospects are satisfactory in Egypt, the subregion's major wheat producer, and a recovery to average output in Morocco is forecast after a drought-reduced harvest last year. In the southern hemisphere, where most crops are still to be sown, early indications suggest some reduction in output in South America, but in Oceania, assuming a return to a normal season after last year's drought, output should recover sharply in Australia.

With the first of the major 2008 **coarse grain** crops already being harvested or close to maturation in several countries around the world, FAO tentatively forecasts global output of coarse grains at 1 075 million tonnes, 0.6 percent up from last year's record level. In South America, harvesting of the main season crops is underway and output is expected to increase to a new record level following area increases in Argentina and Brazil, the largest producers, in response to high international prices. In southern Africa, despite far from ideal weather conditions throughout the season, with late planting rains, followed by floods and a subsequent return to excessive dryness in parts, the overall outlook for the main coarse grain crops is judged to be favourable, particularly in South Africa affected by drought last year. In the northern hemisphere, the bulk of the major 2008 coarse grain crops are yet to be sown in the coming weeks. In the United States, the maize area is forecast to decline after last year's exceptional plantings but, nonetheless, will likely remain at a very high level relative to recent history reflecting strong demand and high prices. In Europe, output of coarse grains is forecast to recover somewhat from last year's reduced level, reflecting a combination of increased plantings in parts and expected yield recoveries in several countries affected by drought last year, such as Hungary and Romania, two important maize producers.

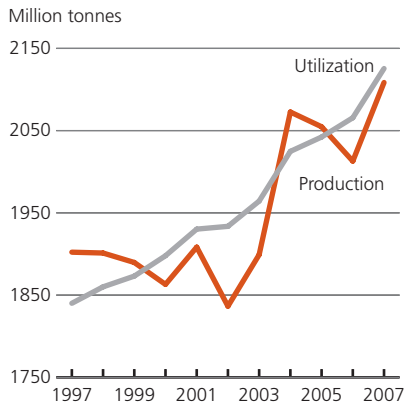
With southern hemisphere countries already engaged in harvesting their 2008 main **rice** crop, FAO's first forecast for world rice production in 2008 stands at 441 million tonnes (milled terms), 1.8 percent up from the latest estimate of 2007 output. Although the increase of international rice prices in the past season did not benefit producers in all countries to the same extent, the profitability of growing rice appears to have improved substantially compared to previous years, even after taking into account cost inflation. This is expected to trigger an increase in planting and production in all regions. In Asia, significantly larger rice outputs are anticipated in all the major rice producing countries, partly reflecting government incentives to production. By contrast, paddy

Table 1. World cereal production[1] (*million tonnes*)

	2006	2007 estimate	2008 forecast	Change: 2008 over 2007 (%)
Asia	**913.2**	**930.1**	**931.5**	**0.1**
Far East	811.1	828.1	831.0	0.4
Near East in Asia	72.3	68.4	70.2	2.6
CIS in Asia	29.7	33.5	30.1	-10.1
Africa	**144.4**	**135.4**	**146.6**	**8.3**
North Africa	36.0	28.9	33.1	14.6
Western Africa	49.5	47.6	49.5	4.0
Central Africa	3.6	3.5	3.5	0.1
Eastern Africa	33.9	33.5	34.5	2.8
Southern Africa	21.5	21.9	26.1	19.0
Central America & Caribbean	**37.0**	**40.1**	**41.5**	**3.6**
South America	**110.7**	**130.5**	**131.5**	**0.7**
North America	**384.5**	**462.1**	**435.5**	**-5.8**
Europe	**404.6**	**388.7**	**438.1**	**12.7**
EU[2]	246.8	259.5	293.5	13.1
CIS in Europe	118.6	115.6	128.0	10.7
Oceania	**19.8**	**22.9**	**40.8**	**77.8**
World	**2 012.9**	**2 108.5**	**2 164.0**	**2.6**
Developing countries	**1 157.3**	**1 183.8**	**1 198.6**	**1.3**
Developed countries	**855.6**	**924.7**	**965.4**	**4.4**
- wheat	596.5	606.2	647.3	6.8
- coarse grains	986.8	1 068.5	1 075.3	0.6
- rice (milled)	433.7	433.7	441.4	1.8

[1]Includes rice in milled terms.
[2]EU-25 in 2006; EU-27 in 2007, 2008.
Note: Totals computed from unrounded data.

Figure 1. World cereal production and utilization



production may contract in Japan, one of the few countries where producer prices fell last year. The production outlook is also positive in Africa, where high world prices and mounting concerns over food import dependency may sustain growth, particularly in Egypt, Guinea, Nigeria and Sierra Leone. By contrast, Mozambique, where the crop is about to be harvested, may face a contraction, as above normal rainfall and cyclones have caused flooding and crop losses in rice growing areas. The impact of Cyclone Ivan on production in Madagascar is anticipated to be more limited, especially as the Government has launched a free seed distribution programme to encourage affected producers to replant their crops. Production is expected to increase significantly in South America, where prospects are favourable across the whole region, and harvesting is already underway in some southern parts.

World cereal production up 4.7 percent in 2007

FAO's estimate of global **cereal** output in 2007 now stands at some 2 108 million tonnes (rice in milled terms), virtually unchanged since the previous report in February, and representing a 4.7 percent increase from 2006. World **wheat** output rose by 1.6 percent to some 606 million tonnes, but the bulk of the increase was in **coarse grains**, production of which rose to 1 068 million tonnes, 8.3 percent up from the previous year. Latest estimates put the 2007 rice output at 434 million tonnes (milled terms), 1 percent up from the 2006 level.

UTILIZATION

Growth in cereal utilization in 2007/08

In spite of the surge in world cereal prices in 2007/08, world cereal utilization is expected to demonstrate a relatively strong growth and reach 2 126 million tonnes, an expansion of almost 3 percent from the previous season, which is well above the average annual growth rates of below 2 percent in the past decade. **Food** consumption of cereals is forecast to reach 1 006 million tonnes, an increase of about 1 percent from 2006/07. Most of this anticipated rise is expected in the developing countries, driven by the increase in population growth. However, on a per caput basis, wheat and rice consumption levels decline marginally in the developing countries, mostly in favour of higher intakes of more value-added food, especially in China. **Feed** utilization is forecast to increase by 2 percent in 2007/08, to 756 million tonnes. This expansion mostly reflects higher use of coarse grains for feed which could reach a record 633 million tonnes, up 2.8 percent from 2006/07. The increase in feed usage of coarse grains is seen to more than offset a decline in feed use of wheat, supplies of which have been much tighter, especially in the EU, the region where wheat is the primary feed grain. **Industrial usage** of cereals demonstrates strong growth this season but the expansion mainly reflects the rapid rise in the use of grains as raw material for production of biofuels, which in 2007/08 is forecast to approach 100 million tonnes, of which maize accounts for at least 95 million tonnes. Maize is the main cereal used for the production of ethanol and the United States is the world leader of the maize-based ethanol sector. In 2007/08, the United States is expected to use at least 81 million tonnes of maize for production of ethanol, 37 percent more than in 2006/07.

STOCKS

Cereal stocks set to fall to 25-year low

Unchanged from the previous forecast in February, world **cereal** stocks by the close of the seasons ending in 2008 are expected to fall to 405 million tonnes, down 21 million tonnes, or 5 percent, from their already reduced level at the start of the season and the smallest in 25 years. At this level, the ratio of world cereal stocks to utilization falls to 18.8 percent, down 6 percent from the previous low in 2006/07.

World **wheat** stocks by the close of seasons in 2008 are forecast at 144 million tonnes, down 9 percent from their already reduced opening level. The sharp decline is even more notable in major exporting countries, with their combined wheat reserves falling by as much as 10 million tonnes. Strong demand in domestic and world markets has contributed to the depletion of stocks in major exporting countries where production in 2007 suffered from exceptionally poor yields. Even in the United States, where wheat output increased in 2007, stocks are expected to fall to 8 million tonnes, 4 million tonnes less than the already reduced level last season. Larger exports are mostly responsible for this reduction in stock in the United States. Inventories in the EU are forecast to drop to 9.5 million tonnes, more than 3 million tonnes below the previous season's low, a reduction that is mainly caused by a sharp production shortfall in 2007.

Several importing countries are also expected to have their wheat stocks reduced this season, not only due to a decline in production, as in the case of Morocco, but also because of high prices

in world markets which discourage imports and contributes to larger drawdown of domestic stocks, as in Bangladesh, Egypt and Kenya. The two largest countries, India and China, however, are expected to end this season with higher carryovers. In China, improved production in 2007 and tighter controls on exports could lead to an increase of 3 million tonnes in stocks. In India, the rise in production in 2007 coupled with large imports towards the end of the previous season could contribute to an increase of about 2 million tonnes in total wheat inventories, also helping to replenish government owned stocks.

World stocks of **coarse grains** at the close of seasons in 2008 are forecast to reach 157 million tonnes, 5 million tonnes less than their already reduced opening level. The main factor behind this decline is rising demand, which in 2007/08 is forecast to exceed total supply in spite of a significant 8 percent growth in world production. Strong domestic demand coupled with robust exports are likely to result in a relatively small increase in stocks in the United States, the world's largest producer, an increase not sufficient to offset the sharp declines elsewhere, particularly among the countries which suffered from production shortfalls in 2007. Much smaller inventories are forecast, in particular for: Morocco, Nigeria, the Republic of South Africa, Turkey and Ukraine. In Brazil, where production is expected to be a record, stocks are not expected to increase as a result of higher exports, while in China, the world's largest stock holder of coarse grains, total reserves are expected to remain stable, given the curb on exports this season.

Global **paddy** carryover stocks at the close of seasons ending in 2008 are forecast to diminish by about 1 million tonnes to 103.5 million tonnes, implying that world utilization would outpace production. The global contraction of stocks is expected to result from falling inventories in rice importing countries, in particular Bangladesh, Brazil, Nigeria and

Table 2. Basic facts of the world cereal situation (*million tonnes*)

	2005/06	2006/07	2007/08	Change: 2007/08 over 2006/07 (%)
PRODUCTION[1]	**2 054.7**	**2 012.9**	**2 108.5**	**4.7**
Wheat	626.7	596.5	606.2	1.6
Coarse grains	1 003.3	986.8	1 068.5	8.3
Rice (milled)	424.7	429.6	433.7	1.0
SUPPLY[2]	**2 524.0**	**2 482.8**	**2 533.6**	**2.0**
Wheat	805.4	776.0	764.8	-1.4
Coarse grains	1 194.5	1 172.5	1 230.7	5.0
Rice	524.2	534.3	538.2	0.7
UTILIZATION	**2 042.2**	**2 065.6**	**2 125.5**	**2.9**
Wheat	621.1	620.5	621.1	0.1
Coarse grains	1 001.1	1 017.0	1 068.7	5.1
Rice	420.0	428.1	435.7	1.8
Per caput cereal food use *(kg per year)*	*152.2*	*152.4*	*152.3*	*-0.1*
TRADE[3]	**246.7**	**255.7**	**256.2**	**0.2**
Wheat	110.4	113.3	106.0	-6.4
Coarse grains	107.0	111.4	121.5	9.0
Rice	29.2	31.0	28.7	-7.4
END OF SEASON STOCKS[4]	**469.8**	**425.6**	**405.1**	**-4.8**
Wheat	179.5	159.1	144.4	-9.2
- main exporters[5]	56.3	36.5	26.1	-28.5
Coarse grains	185.6	162.1	157.1	-3.1
- main exporters[5]	90.7	62.5	66.9	7.0
Rice	104.7	104.5	103.5	-0.9
- main exporters[5]	22.9	23.7	24.1	1.8
Low-Income Food-Deficit Countries (LIFDCs)[6]				
Cereal production[1]	**860.0**	**888.8**	**897.3**	**1.0**
excl. China Mainland & India	294.7	306.7	302.0	-1.5
Utilization	**920.2**	**938.4**	**956.6**	**1.9**
Food use	644.4	653.7	662.5	1.3
excl. China Mainland & India	271.6	278.7	284.2	2.0
Per caput cereal food use *(kg per year)*	157.0	157.0	156.8	-0.1
excl. China Mainland & India	159.1	160.2	160.2	0.0
Feed	164.9	166.6	170.5	2.3
excl. China Mainland & India	46.4	48.6	48.5	-0.2
End of season stocks[4]	**228.6**	**238.6**	**238.5**	**0.0**
excl. China Mainland & India	55.1	57.1	50.0	-12.4

[1] Data refer to calendar year of the first year shown.
[2] Production plus opening stocks.
[3] For wheat and coarse grains, trade refers to exports based on July/June marketing season. For rice,trade refers to exports based on the calendar year of the second year shown.
[4] May not equal the difference between supply and utilization because of differences in individual country marketing years.
[5] The main wheat and coarse grain exporters are Argentina, Australia, Canada, the EU and the United States.
The main rice exporters are India, Pakistan, Thailand, the United States and Viet Nam.
[6] Includes food deficit countries with per caput annual income below the level used by the World Bank to determine eligibility for IDA assistance (i.e.USD 1 575 in 2004), which is in accordance with the guidelines and criteria agreed to by the CFA should be given priority in the allocation of food aid.

Senegal, while they may rise in Indonesia and the Philippines. Although reserves in major exporting countries are unlikely to change much from their opening levels as a whole, a mixed pattern may prevail at the country level: substantial increases are foreseen in India, on expectations of much lower exports in 2008, and in Myanmar, while all the other major exporters are expected to end the season with smaller inventories. The anticipated fall in global carryovers should result in a lower stock-to-use ratio for rice, estimated to fall from 24 percent in 2007 to 23.4 percent in 2008.

TRADE

World cereal trade to increase slightly in 2007/08

World trade in **cereals** is forecast to reach 256 million tonnes in 2007/08, slightly more than in 2006/07. A sharp increase in imports of coarse grains is expected to more than offset declines in wheat and rice trade. At the current forecast level, the volume of cereal imports by the LIFDCs could reach 82 million tonnes, slightly down from the previous season.

World trade in **wheat** is forecast to decline to 106 million tonnes in 2007/08 (July/June), down 7 million tonnes from 2006/07. Smaller imports by India are largely responsible for this decline but several other countries, including Algeria, Brazil, Kenya, Indonesia, the Republic of Korea and Nigeria are also anticipated to significantly reduce their wheat purchases from world markets. In most cases, higher domestic production is the main reason for the anticipated decline in wheat imports, but soaring international prices are also discouraging wheat purchases. In countries with import tariff schemes in place, most have lowered or suspended their tariffs in order to dampen the impact of high world prices on domestic consumers (see box on policy measures). However, several countries are expected to increase their imports this season such as Morocco where a severe drought reduced wheat production last year, or in Pakistan where, in spite of higher production, large imports are needed due to significant cross-border exports earlier in the season.

In spite of the anticipated decline in world import demand, export supplies have proven to be exceptionally tight since the start of the season. Among the five major exporters, Australia, Canada and the EU all have less exportable availabilities this season, while shipments from Argentina continue to be restricted as policies to keep domestic prices under control remain in effect. Lower supplies in these exporters and the weak dollar have resulted in much larger exports from the United States, the only major exporter that also had an increased wheat harvest last year. Among other countries, exports from Ukraine are reduced because of a reduction in domestic supply which led the government to impose a strict quota system. However, exports from the Russian Federation already exceeded the previous season's level prior to recent export restrictions. Similarly, in China, restrictions put in place recently are likely to prevent further export sales, but exports have already exceeded the previous season's level. Several countries have now export ban policies in place, including India, Pakistan, Serbia and the Syrian Arab Republic.

World trade in **coarse grains** in 2007/08 is forecast to reach 121.5 million tonnes, 10 million tonnes, or 9 percent, more than in the previous season. The exceptionally higher imports of maize and sorghum by the EU are the main reason for the expansion in world trade this season. Reduced supplies of feed wheat both in its domestic market as well as in those of nearby suppliers in Black Sea region resulted in this surge in imports in the EU. Higher imports are also forecast for Morocco, Mexico and the Syrian Arab Republic but smaller imports are expected for Colombia, the Dominican Republic, Indonesia and the Republic of Korea.

The anticipated sharp increase in world import demand this season is to be largely met by higher sales from the United States and Brazil; the two countries benefiting from record harvests. Argentina and Canada are also forecast to export more this season but tighter domestic supplies and the imposition of export restrictions would cut exports from several countries, including China and Ukraine. A second consecutive season of poor production has prevented the Republic of South Africa from increasing exports this season.

International trade in **rice** in 2008 is currently foreseen at 28.7 million tonnes, 1.6 million tonnes below earlier forecasts and down from the revised estimate of 34.7 million tonnes for 2007. The recent downward revision for trade in 2008 mostly reflects a lower volume of imports than previously anticipated especially to Bangladesh and Indonesia, compensating for a higher level to Brazil, South Africa and the Philippines. As for exports, the revision was mainly on account of lower-than-previously thought deliveries from Brazil, Cambodia, India and Viet Nam, often related to a recent tightening of restrictions on external sales, while exports from Argentina, China, Thailand and Uruguay were raised somewhat.

The sizeable contraction in world trade in 2008 compared to the previous year is consistent with the very tight supply situation prevailing in key exporting countries and high world prices. Among importers, Asian countries are foreseen to take delivery of 12.7 million tonnes of rice overall, 12 percent less than in 2007. The drop reflects prospects of lower shipments to Bangladesh, Indonesia and the Islamic Republic of Iran, as the supply and demand situation in those countries may ease somewhat compared with last year. By contrast, deliveries to China, Iraq, the Democratic People's Republic of Korea, the Philippines and Sri Lanka are forecast to rise. In particular, the Philippines, which just secured the guarantee of a 1.5 million tonnes supply from Viet Nam, is anticipated to emerge in 2008 as the most important destination of rice trade. In Africa, rice

imports are set to hover around 9.2 million tonnes, 6 percent down from last year, reflecting widespread declines all across the region. Imports to countries in Latin America and the Caribbean are foreseen to remain about 3.5 million tonnes, with some increases expected for Brazil, Chile, El Salvador and Panama, offsetting a drop of shipments to Colombia, Costa Rica and Nicaragua. In the rest of the world, Australia, the EU and the United States are foreseen to purchase more rice in 2008, unlike the Russian Federation, where tariffs and shipping restrictions may further depress rice deliveries to the country.

The very tight supply situations that most exporting countries may face until the last quarter of the year and associated restrictions on exports lie behind the anticipated drop of rice trade in 2008. Currently, China, India, Egypt, Viet Nam, four among the traditional rice exporting countries, as well as Cambodia, have either imposed minimum export prices, export taxes or export quotas/bans. Unlike recent years, smaller availability of rice in public stocks is likely to prevent Thailand from fully filling competitor's gaps, although exports from the country are forecast to increase. Increased shipments from Argentina, Myanmar, Pakistan, the United States and Uruguay are also anticipated. Japan may also step up deliveries in the form of food aid.

PRICES

International cereal prices continue to rise

International prices for all major cereals continued their rise in February and March, largely driven by persistent supply tightness and the imposition of new export restrictions. The weak US dollar and strong import demand also provided support. In March, the United States' hard **wheat** (HRW, No. 2, f.o.b.) averaged USD 481 per tonne, up USD 100 per tonne from the start of the year and nearly 130 percent above the same period last year. In the futures markets, prices remained firm but volatile; reacting to news about further export restrictions, developments in energy markets and the deteriorating prospects in financial markets. The nearby May wheat futures at Chicago Board of Trade (CBOT) stood at over USD 390 per tonne in late March, down nearly USD 50 per tonne since late February but still more than 130 percent over the corresponding period last year. In spite of the expectation of a significant increase in world wheat production in 2008, even September futures, which provide a better indication of the current market sentiment for the new season, were only slightly below the May values and as much as 120 percent above the corresponding period last year.

Export prices of **coarse grains** also made strong gains since the start of the year. The United States' maize (No. 2 yellow) averaged USD 234 per tonne in March, 38 percent more than in March 2007. Shortages of feed wheat combined with generally tight market conditions for all cereals and the weak US dollar continued to provide support to maize prices. By late March, the CBOT nearby May contract was quoted at around USD 214 per tonne, up 20 percent from the corresponding period last year. While fear of a general economic slow-down and the arrival of new crop supplies from Brazil and Argentina put some downward pressure on prices, the tightening of supplies in the United States and uncertainties regarding the size of plantings this year prevented prices from weakening as evidenced in December futures which stood at about USD 60 per tonne more than in the corresponding period last season.

International **rice** prices have engaged on a steep upward trend since the beginning of 2008, after recording relatively moderate increases of 9 percent in 2006 and 17 percent in 2007. Since January 2008, the FAO All Rice Price Index (1998-2000=100) has gathered further strength, gaining 12 percent to 184 in February 2008 and another 17 percent in March 2008 when the index reached 216. The hike evidences growing tightness on the market, after several of the major exporters imposed more stringent restrictions on external sales, combined with strong purchases by countries such as Bangladesh, Iraq, Nigeria or the Philippines. For instance, In March 2008 the high quality Thai 100% B was quoted at USD 567 per tonne, up 22 percent on the previous month and 74 percent higher than in March 2007. The pressure on prices to rise was general, affecting all rice qualities and origins.

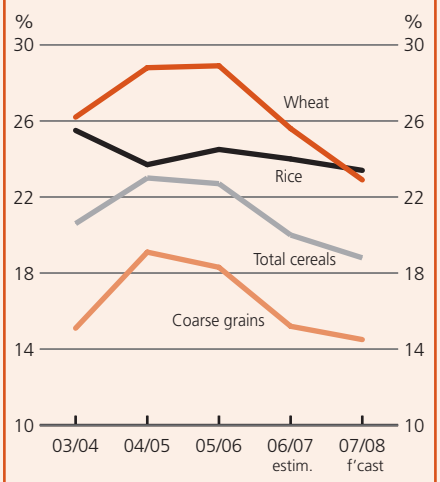
Table 3. Cereal export prices* *(USD/tonne)*

	2007			2008		
	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.
United States						
Wheat [1]	209	332	381	381	449	481
Maize [2]	170	171	178	206	220	234
Sorghum [2]	171	171	192	225	222	233
Argentina [3]						
Wheat	187	290	310	330	365	395
Maize	160	179	171	199	206	216
Thailand [4]						
Rice white [5]	325	358	376	385	463	567
Rice, broken [6]	263	318	342	365	431	522

*Prices refer to the monthly average.
[1] No.2 Hard Red Winter (Ordinary Protein) f.o.b. Gulf.
[2] No.2 Yellow, Gulf
[3] Up river, f.o.b.
[4] Indicative traded prices.
[5] 100% second grade, f.o.b. Bangkok.
[6] A1 super, f.o.b. Bangkok.

FAO's global cereal supply and demand indicators

1. Ratio of world cereal stocks to utilization

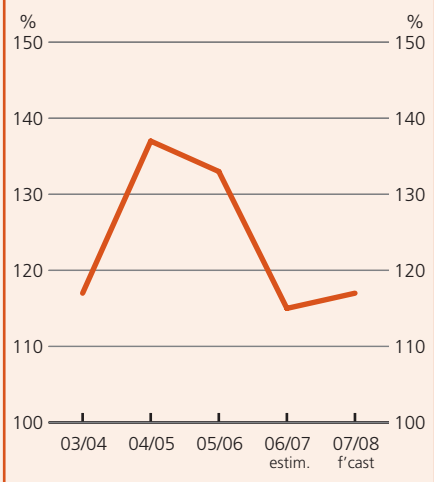


■ The ratio of world cereal ending stocks in 2007/08 to the trend world cereal utilization in the following season is forecast to fall to 18.8 percent, the lowest in 3 decades. In spite of the increase in world cereal production in 2007, supplies are not sufficient to meet demand without a sharp drawdown of stocks, the main reason for the drop in the stock-to-use ratio. The ratio for wheat is forecast to fall to 22.9 percent, well under the 34 percent level observed during the first half of the decade. The ratio for coarse grains is put at only 14.5 percent. In spite of a record coarse grains production in 2007, supplies by the end of the current season are forecast to tighten because of the strong surge in world demand. The stock-to-use ratio for rice is put at 23.4 percent, also a very low level, which again reflects the tightening of the supply and demand balance for rice this season.

Early indications suggest that the ratio of world cereal stocks to utilization may not improve significantly in the next season (2008/09) even though production in 2008 is forecast to increase sharply. This is mainly because the low level of carryover inventories expected at the end of the current seasons will mean total supply (production plus stocks) will still be relatively low compared to expected utilization in the following year (2009/10).

1 The **first indicator** is the ratio of world cereal ending stocks in any given season to world cereal utilization in the following season. Utilization in 2008/09 is a trend value based on extrapolation from the 1997/98-2006/07 period.

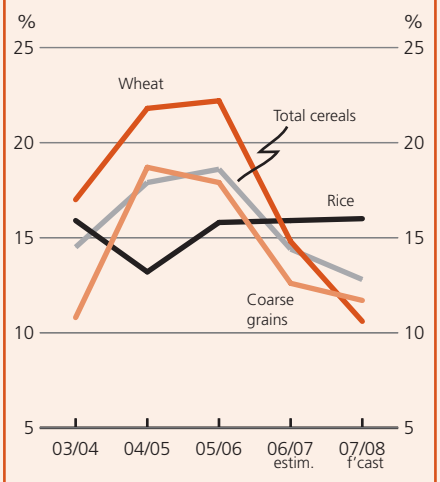
2. Ratio of major grain exporters supplies to normal market requirements



■ Given the relatively poor aggregate grain harvest of the major exporting countries in 2007, mainly reflecting adverse weather in parts of the EU and in Australia, combined with strong demand in domestic markets and for exports, the ratio of their aggregate cereal supplies compared to normal market requirements in 2007/08 is estimated to remain at a relatively low level of 117 percent. This represents a surplus of just 17 percent, and would indicate only a small improvement compared to the previous season in the ability of these exporters to meet the global demand for wheat and coarse grains imports.

2 The **second indicator** is the ratio of the exporters' grain (wheat and coarse grains) supplies (i.e. a sum of production, opening stocks, and imports) to their normal market requirements (defined as domestic utilization plus exports of the three preceding years). The major grain exporters are Argentina, Australia, Canada, the EU and the United States.

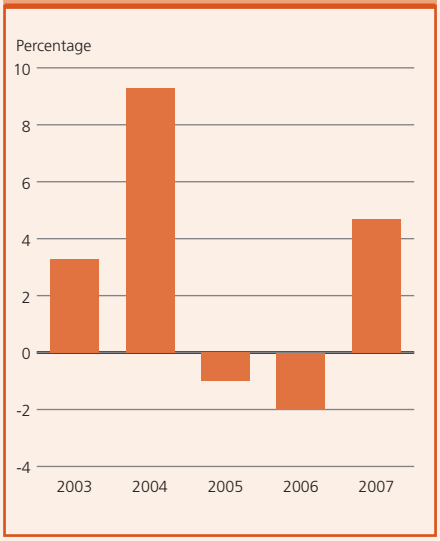
3. Ratio of major exports stocks to their total disappearance



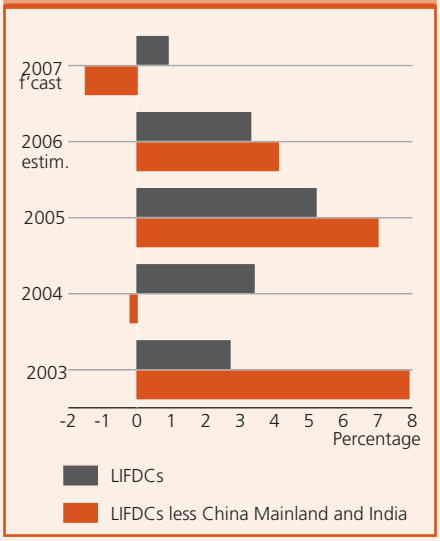
■ The ratio of the major exporters' ending cereal stocks to their total disappearance is forecast to plunge to 12.8 percent at the end of the 2007/08 seasons. For wheat, the ratio is the smallest, at only 10.6 percent, which explains the reason for high and volatile market prices. For coarse grains, the ratio is expected to decrease further from the previous year's already low level to 11.7 percent. Strong domestic use of maize in the United States, especially for the production of biofuels, is expected to absorb most of the expansion in its production in 2007. The ratio for rice is expected to remain steady at around 16 percent.

3 The **third indicator** is the ratio of the major exporters' ending stocks, by cereal type, to their total disappearance (i.e. domestic consumption plus exports). The major **wheat** and **coarse grain** exporters are Argentina, Australia, Canada, the EU and the United States. The major **rice** exporters are India, Pakistan, Thailand, the United States, and Vietnam.

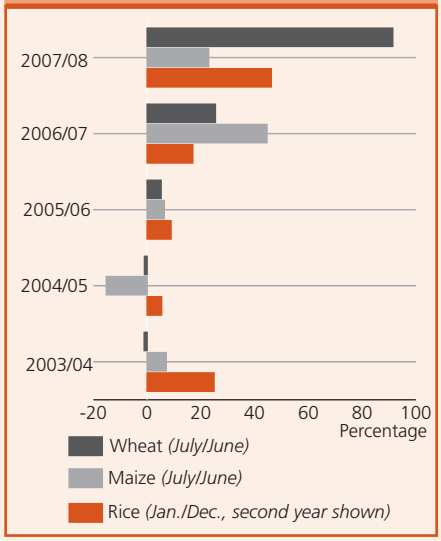
4. Year-to-year change in world cereal production



5 & 6. Year-to-year change in cereal production in the LIFDCs



7. Year-to year change in selected cereal price indices



■ World cereal production is estimated to be up 4.7 percent in 2007, which would represent a relatively strong rebound after two consecutive years of contraction. However, in view of the tightly balanced situation demonstrated by the first 3 indicators, another good crop is needed in the new season.

Early indications point to an increase of 2.6 percent in world cereal production in 2008, which if realized, could contribute in stabilizing the market and help to improve the supply situation.

■ Following four years of significant and sustained growth from 2003 to 2006, the cereal production of LIFDCs increased just marginally in 2007. Excluding China Mainland and India, which account for some two-thirds of the aggregate cereal output, production in the rest of LIFDCs is estimated down by 1.5 percent after two consecutive years of substantial increases. At a time when international cereal prices are at very high levels, this will put a heavy burden on the financial resources of countries that have to resort to imports during the current year to cover their consumption needs.

■ The tightening of the global cereal balance in 2007/08 continues to push up prices of all cereals. The most significant increase has been for wheat, for which the price index during the first 9 months (July 2007 to March 2008) of the current marketing season averaged over 91 percent more than in the same period in 2006/07. The maize index gained 23 percent during the same period but this relatively modest increase comes after a 45 percent surge in 2006/07. Following the sudden jump in rice prices in recent weeks, the rice index averaged 46 percent higher during the first three months of 2008 compared to the same period in 2007. Higher prices are contributing to a significant rise in the cereal import bill of the LIFDCs, which is currently forecast to jump by 56 percent in 2007/08 compared to 2006/07, to about USD 39 billion, up USD 6 billion from the previous forecast in February. This sharp increase in the bill caused by the rise in cereal prices underlines the growing financial burden facing the LIFDCs.

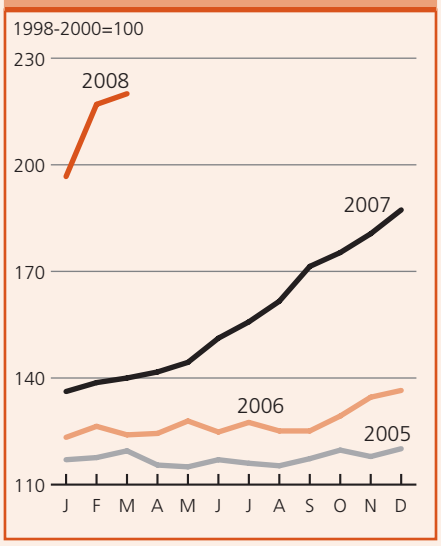
4 The **fourth indicator** shows the aggregate cereal production variation from one year to the next at the global level.

5&6 In view of the fact that the Low-Income Food-Deficit Countries (LIFDCs) are most vulnerable to changes in their own production and therefore supplies, the FAO's **fifth indicator** measures the variation in production of the LIFDCs. The **sixth indicator** shows the annual production change in the LIFDCs excluding China Mainland and India, the two largest producers in the group.

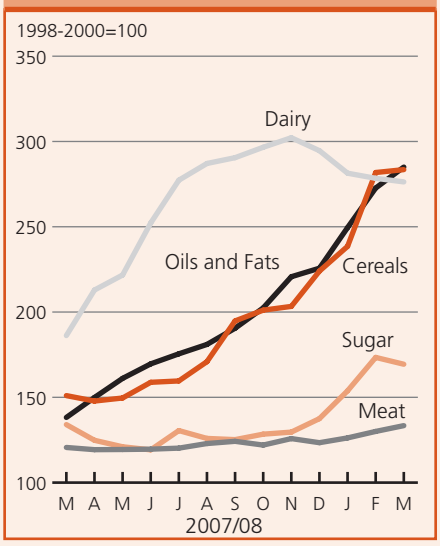
7 The **seventh indicator** demonstrates cereal price developments in world markets based on changes observed in selected local price indices.

FAO's Food Price Indices

FAO Food Price Index



Food Commodity Price Indices



■ The FAO Food Price Index continued to increase since the start of the year and by March 2008 it averaged 220, as much as 80 points (57 percent) more than in March 2007. Prices of nearly all food commodities have risen since the beginning of the year supported by a persistent, tight supply and demand situation. In 2007, the index averaged 157, up 23 percent from 2006.

■ The FAO Cereal Index firmed since the start of 2008, averaging 283 in March 2008, up 45 points from January. Tight supplies continue to provide support to the prices of most cereals. In recent weeks, rice prices gained most but maize prices also made further gains. Wheat prices have come under some downward pressure during the first week of April in anticipation of larger crops in 2008. However, because of low stocks, wheat prices remain high and well above the previous year's levels.

■ The FAO Dairy Index averaged 276 in March 2008, down 6 percent from its peak in November 2007. In terms of products, prices of milk proteins have fallen the most, as skim milk powder prices have fallen 27 percent since their peak in July 2007; butter prices have declined the least since their high in November 2007. Tight supplies from traditional exporters, strong import demand, and the exhaustion of public stocks caused an unprecedented eruption of dairy product export prices in late 2006 which has lasted through 2007.

■ The FAO Meat Index increased since the start of 2008 with the preliminary estimate for March 2008 at a high of 133, surpassing its previous peak in 2005. The recent gains mostly reflect the continued surge in feed prices. The extent of price increases varied significantly depending on feed conversion efficiencies, biological lags in production responses as well as the role played by contract prices. Since the beginning of the year lamb prices have increased the most as sheep producers are rebuilding flock numbers and reducing slaughter.

■ The FAO Sugar Index in the first three months of 2008 averaged 166, which is 29 points above the corresponding value in 2007. Since the beginning of 2008 sugar prices have gained some momentum, underpinned by strong fund investment in commodity futures, despite an expected global sugar surplus for the 2007/08 season. In 2007, the index averaged 129, a 32 percent drop over 2006. A recovery in sugar production in traditional importing countries led to weaker sugar prices in 2007.

■ The FAO Oils/Fats Index in the first quarter of 2008 averaged 269, which is 133 points (or 98 percent) above the corresponding value in 2007. Constant expansion in the demand for vegetable oils and fats - for food uses but also as biofuel feedstock - combined with a slowdown in production growth has resulted in a gradual tightening of global supplies, leading to a surge in prices. On an annual basis, the index averaged 174 in 2007 compared with an average of 117 in 2006.

FAO Food Price Index

		Food Price Index [1]	Meat [2]	Dairy [3]	Cereals [4]	Oils and Fats [5]	Sugar [6]
2000		**93**	100	106	87	72	105
2001		**95**	100	117	89	72	111
2002		**94**	96	86	97	91	88
2003		**102**	105	105	101	105	91
2004		**114**	118	130	111	117	92
2005		**117**	121	145	106	109	127
2006		**127**	115	138	124	117	190
2007		**157**	121	247	172	174	129
2007	March	**140**	121	186	151	138	134
	April	**142**	119	213	148	150	125
	May	**144**	119	222	150	161	121
	June	**151**	120	252	159	170	119
	July	**156**	120	277	160	175	131
	August	**162**	123	287	171	181	126
	September	**171**	124	290	195	190	125
	October	**175**	122	297	201	202	128
	November	**181**	126	302	203	221	130
	December	**187**	123	295	224	226	137
2008	January	**197**	126	281	239	250	154
	February	**217**	130	278	282	273	173
	March	**220**	133	276	284	285	169

[1] **Food Price Index:** Consists of the average of 6 commodity group price indices mentioned above weighted with the average export shares of each of the groups for 1998-2000: in total 55 commodity quotations considered by FAO Commodity Specialists as representing the international prices of the food commodities noted are included in the overall index.

[2] **Meat Price Index:** Consists of 3 poultry meat product quotations (the average weighted by assumed fixed trade weights), 4 bovine meat product quotations (average weighted by assumed fixed trade weights), 3 pig meat product quotations (average weighted by assumed fixed trade weights), 1 ovine meat product quotation (average weighted by assumed fixed trade weights): the four meat group average prices are weighted by world average export trade shares for 1998-2000.

[3] **Dairy Price Index:** Consists of butter, SMP, WMP, cheese, casein price quotations; the average is weighted by world average export trade shares for 1998-2000.

[4] **Cereals Price Index:** This index is compiled using the grains and rice price indices weighted by their average trade share for 1998-2000. The grains Price Index consists of International Grains Council (IGC) wheat price index, itself average of 9 different wheat price quotations, and 1 maize export quotation; after expressing the maize price into its index form and converting the base of the IGC index to 1998-2000. The Rice Price Index consists of three components containing average prices of 16 rice quotations: the components are Indica, Japonica and Aromatic rice varieties and the weights for combining the three components are assumed (fixed) trade shares of the three varieties.

[5] **Oils and Fats Price Index:** Consists of an average of 11 different oils (including animal and fish oils) weighted with average export trade shares of each oil product for 1998-2000.

[6] **Sugar Price Index:** Index form of the International Sugar Agreement prices.

Low-Income Food-Deficit Countries food situation overview[1]

2008 aggregate cereal production of LIFDCs forecast to increase marginally for second consecutive year

FAO's early forecast of 2008 cereal production for the 82 LIFDCs as a group points to an increase of 1 percent from 2007. This increase will be lower than the population growth for the second consecutive year, implying a further drawdown in stocks, higher imports and/or decline in per caput consumption in the 2008/09 seasons. Moreover, when China and India, normally accounting for one-third of the aggregate cereal output, are excluded, production of the rest of LIFDCs is forecast to remain virtually unchanged from last year.

In LIFDCs of southern Africa, the outlook for the 2008 cereal crops, about to be harvested is generally favourable. Production is forecast to increase from last year in most countries. However, prospects have deteriorated in Zimbabwe and southern parts of Mozambique, following dry weather in the second half of the season. In North Africa, cereal output is expected to triplicate from the 2007 drought-affected level in Morocco, while in Egypt an improved harvest is anticipated on account of larger wheat plantings. In eastern Africa, a bumper 2008 wheat crop is being gathered in Sudan, where production nevertheless covers only some 40 percent of annual consumption. In other countries of the subregion cereal crops are being planted or are about to be planted but rains are somewhat delayed.

In Far East Asia, good 2008 wheat crops are in prospect in China, India and Pakistan, but outputs will mostly be a bit lower than last year's record levels, while the main paddy crops are still to be planted. In most Asian CIS countries, early prospects for the 2008 cereal production are favourable following larger plantings of wheat, the main crop and food staple in the subregion, but in Tajikistan the outlook is being negatively affected by delayed spring rains and locust infestations. In the Near East, the outlook for this year's cereal production is uncertain in Afghanistan, reflecting below-normal rains and an extreme cold winter, respectively.

In Ecuador, the only LIFDC in South America, the outlook for the 2008 cereal harvest is poor following heavy rains, severe floods and crop losses in the second half of February. The Government has declared a state of emergency in the whole country and requested international assistance. Elsewhere, the 2008 main cereal seasons have not yet started in Western Africa and in Central America.

Rising cereal import costs

The LIFDCs total volume of cereal imports in 2007/08 is forecast to reach some 82 million tonnes, a marginal decline from the level of the past season. Satisfactory 2007 cereal production and significant drawing on inventories have helped most LIFDCs to keep their imports stable or even below the previous season's levels. However, as a result of the sharp increase in international cereal prices, freight rates and oil prices, the 2007/08 aggregate

Table 4. Cereal production[1] of LIFDCs (*million tonnes*)

	2006	2007	2008	Change: 2008 over 2007 (%)
Africa *(44 countries)*	**128.8**	**119.0**	**127.0**	**6.7**
North Africa	30.1	22.3	27.0	21.0
Eastern Africa	33.9	33.5	34.5	2.8
Southern Africa	11.8	12.2	12.6	3.9
Western Africa	49.5	47.6	49.5	4.0
Central Africa	3.6	3.5	3.5	0.1
Asia *(25 countries)*	**749.2**	**766.4**	**768.0**	**0.2**
CIS in Asia	13.2	13.5	13.4	-0.7
Far East	722.7	739.2	741.1	0.2
- China (Mainland)	386.1	389.2	390.2	0.2
- India	195.9	205.6	204.2	-0.7
Near East	13.3	13.6	13.5	-0.9
Central America *(3 countries)*	**1.7**	**1.9**	**1.8**	**-2.8**
South America *(1 country)*	**1.6**	**1.7**	**1.7**	**1.3**
Oceania *(6 countries)*	**0.0**	**0.0**	**0.0**	**0.0**
Europe *(3 countries)*	**7.4**	**8.3**	**8.1**	**-2.4**
Total *(82 countries)*	**888.8**	**897.3**	**906.6**	**1.0**

[1] Includes rice in milled terms.
Note: Totals computed from unrounded data.

[1] **The Low-Income Food-Deficit (LIFDC) group of countries** includes food deficit countries with per caput annual income below the level used by the World Bank to determine eligibility for IDA assistance (i.e. USD 1 575 in 2004), which is in accordance with the guidelines and criteria agreed to by the CFA should be given priority in the allocation of food aid.

cereal import bill of the LIFDCs is projected to rise by 56 percent from 2006/07, after having increased by 37 percent in the previous year. This will have a negative impact on the balance of payments and current account positions of the LIFDCs in general and in particular on those in Africa, where the aggregate cereal import bill is projected to increase by a higher 74 percent rate.

Sharp increase in domestic food prices

Soaring international cereal prices, coupled with reduced national cereal production in parts, are exacerbating food inflation in countries across the world. Despite policy measures taken by governments to mitigate the transmission of international price into domestic food markets (see box on Policy Measures), prices of bread, rice, maize products, milk, oil, soybeans and others basic foods have increased sharply in the past months in a number of developing countries. Most affected by the food price inflation are the low-income groups of population, as the share of food in their total expenditures is much higher than that of wealthier populations. Food represents about 10-20 percent of consumer spending in industrialized nations, but up to 60-80 percent in developing countries. The urban poor, together with food deficit farmers, are among the worst affected groups as they depend on the market to access food products.

In Western Africa, in Côte d'Ivoire, prices of rice in March 2008 more than doubled their levels of a year earlier. In Senegal wheat prices by February 2008 were twice the level of a year ago, while those of sorghum were up by 56 percent. In the important subregional Nigerian market of Dawanau, prices of sorghum and millet have doubled in the past five months. In Eastern Africa, in Somalia, the price of wheat flour in northern areas has almost tripled in the last year. In Sudan, prices of wheat in the capital city of Khartoum this February were 90 percent higher than a year earlier. In Uganda, prices of maize in March 2008 have risen by 65 percent from their levels of September last year. In Ethiopia, maize prices in Addis Ababa in March 2008 doubled their levels of a year ago, while those of wheat were 42 percent higher. In Southern Africa, maize prices in Mozambique (capital city of Maputo)

Table 5. Cereal import position of LIFDCs (*thousand tonnes*)

	2006/07 or 2007	2007/08 or 2008			
		Requirements[1]		Import position[2]	
	Actual imports	Total imports:	*of which food aid*	Total imports:	*of which food aid pledges*
Africa *(44 countries)*	**36 012**	**38 525**	***2 364***	**19 824**	***1 324***
North Africa	15 768	18 351	*0*	13 805	*0*
Eastern Africa	5 357	4 917	*1 207*	1 925	*649*
Southern Africa	2 868	3 413	*615*	2 780	*482*
Western Africa	10 346	10 142	*461*	1 204	*154*
Central Africa	1 674	1 702	*82*	111	40
Asia *(25 countries)*	**42 527**	**39 862**	***2 021***	**23 659**	***852***
CIS in Asia	3 705	3 774	*62*	2 765	*31*
Far East	28 684	24 943	*1 784*	15 155	*691*
Near East	10 138	11 145	*175*	5 739	*131*
Central America *(3 countries)*	**1 653**	**1 533**	***178***	**865**	***145***
South America *(1 country)*	**951**	**1 010**	***20***	**749**	***0***
Oceania *(6 countries)*	**416**	**416**	***0***	**88**	***0***
Europe *(3 countries)*	**1 569**	**1 070**	***20***	**390**	***0***
Total *(82 countries)*	**83 128**	**82 416**	***4 603***	**45 574**	***2 321***

[1] The import requirement is the difference between utilization (food, feed, other uses, exports plus closing stocks) and domestic availability (production plus opening stocks).
[2] Estimates based on information available as of late March 2008.
Note: Totals computed from unrounded data.

Table 6. Cereal import bill in LIFDCs by region and type *(July/June, USD million)*

	2002/03	2003/04	2004/05	2005/06	2006/07 estimate	2007/08 forecast
LIFDC	**14 025**	**15 792**	**18 825**	**18 028**	**24 749**	**38 696**
Africa	6 501	7 088	8 372	8 369	10 297	17 892
Asia	7 014	8 050	9 767	8 900	13 498	19 277
Latin America and Caribbean	308	380	407	468	594	898
Oceania	69	76	78	82	100	164
Europe	133	198	201	209	260	464
Wheat	7 762	8 802	10 814	10 589	14 083	22 705
Coarse grains	3 281	3 300	3 395	3 099	4 522	6 097
Rice	2 982	3 689	4 616	4 340	6 144	9 894

Source: FAO.

in March were 43 percent higher than a year ago. In Asia, in the Philippines, rice prices have increased by 50 percent in the past two months. In Sri Lanka, prices of rice in March 2008 were almost twice those of a year ago, while in Bangladesh they increased by 66 percent in the same period. In CIS countries of Asia, in Tajikistan prices of bread in February were twice the levels at the same time in 2007, while in Armenia the price of wheat flour has increased by one-third in the same period. In Latin America and the Caribbean, in Haiti food prices are reported as being 50 to 100 percent higher than in the past year.

Serious social unrest in several countries

Social unrest and food riots, which have resulted in loss of lives in some cases, have been reported in the past month in Egypt, Cameroon, Côte d'Ivoire, Senegal, Burkina Faso, Ethiopia, Indonesia, Madagascar and the Philippines as well as in Haiti in early April. In other countries, such as Pakistan and Thailand, troops have been deployed to avoid seizing of food from the fields and from warehouses.

Rate of cereal imports higher than last season

Available information received in GIEWS by late March 2008, indicates that about 55 percent of the LIFDC's aggregate cereal import requirement of some 82 million tonnes in 2007/08 marketing years has been already covered. Similarly, half of

Measures taken by governments to limit the impact of soaring international cereal prices on food consumption

As international prices of cereals have continued to increase in February and March, governments all over the world have taken policy measures to reduce the transmission of higher international prices into domestic markets, and to protect food consumption by vulnerable populations. Recent developments since early February are listed below**.**

In **Asia,** rising food prices have prompted some of the world's largest rice producing and exporting countries to announce ceilings and even bans on their rice exports. **India** banned non-basmati rice exports in late March, set the minimum export price for basmati rice at USD 1 200 per tonne, and authorized duty-free imports of rice. **Viet Nam** has extended a ban of rice exports until June, and announced in late March that total rice exports, eventually permitted in 2008, would be cut to 3.5 million tonnes from 4.5 million tonnes last year. In **Cambodia,** the Government announced on 26 March a two-month ban on rice exports and the release of rice stocks to curb rising domestic prices. **China,** that had introduced a series of quotas/bans on grain exports, has recently announced additional agricultural production support measures, including increases in the minimum purchase prices of wheat and rice, and agricultural inputs subsidies (see Box on China). **Pakistan**, which had raised duties on wheat exports, has also recently raised wheat support prices by 23 percent in an attempt to build up strategic reserves. In **Indonesia,** following protests over shortages of soybeans, the Government has reiterated that it will take a series of measures to stabilize food prices. In the **Philippines,** the Government is analyzing the reduction of rice and maize import tariffs, that stand at 50 percent and 40 percent respectively, and has encouraged the private sector to participate in importing 163 000 tonnes of rice together with the National Food Authority (NFA). The NFA is also selling its rice stocks at subsidized prices. The Government of **Bangladesh** is selling rice at subsidized prices in urban areas, while **Thailand** will release 650 000 tonnes of rice from state stocks to be sold at subsidized prices. **Malaysia** continues to regulate the price of rice which is subsidized and has not suffered variations in recent months, despite price hikes in international prices. The Government is planning to increase its stocks.

North Africa depends heavily on cereal imports to satisfy consumption requirements and soaring international prices have pushed up domestic prices of bread and other basic food. In **Egypt**, after a significant rise in wheat flour subsidies, the Government announced at the end of March a ban on rice exports from April to October 2008. Earlier in the month, it had ordered the army to bake bread for the population. In **Western Africa**, in **Senegal**, that normally imports half of its cereal consumption, the Government has subsidized the purchase of wheat flour by 40 percent, waived tariffs and imposed price controls. In **Liberia**, the Government recently suspended the USD 2 tax levied on a standard bag of rice. In **Côte d'Ivoire**, following recent social unrest in response to sharp increases in oil and milk prices, the Government has temporarily suspended import duties on essential foodstuffs. In **Southern Africa**,

the food aid needs in the amount of 4.6 million tonnes, or some 6 percent of the total import requirements, have been sourced from donors' deliveries or pledges. The pace of both commercial cereal imports and food aid this season has been faster than in the past year, despite soaring international prices. In Southern Africa, where the 2007/08 marketing year (April/March) has just ended in most countries, latest reports indicate that some 80 percent of the import needs were sourced; but this percentage could increase in the next months due to time lag in information received. Imports have also progressed satisfactorily in LIFDCs of North Africa (Morocco and Egypt), but in Western Africa, where the marketing years will end in October 2008 (Sahel countries) and December 2008 (Coastal countries), only 11 percent of the cereal import needs have been secured.

in **Zambia**, in spite of available export surpluses of maize in 2007/08 marketing year (May/April) the Government has reinstated the export ban which had been in place most of the previous marketing season. It has also implemented large input subsidy schemes to foster cereal production this year. In **Malawi,** the Government has continued with the large scheme to subsidize fertilizers and quality seed in the current agricultural season. In **South Africa,** the Government has announced the increase of disability and old age payments from April 2008, and adjusted the amounts paid in social grants to the poor. In **Zimbabwe**, the Government continues to control imports of maize, wheat and sorghum which are sold at subsidized prices. In **Eastern Africa**, in **Ethiopia**, the Government has recently cancelled the value-added and turnover taxes on food grains and flour, as well as all taxes on cooking oil, and surtax on soap. Earlier, the Government took actions to stabilize cereal prices and to increase the purchasing power of the poor, including expenditures of USD 38 million to subsidize wheat, and USD 366 million to subsidize fuel. The monthly distribution of 25 kg of wheat to 800 000 low-income urban dwellers introduced in March 2007 will be maintained, as well as distribution of edible oil and other products. The Government has also announced the import of a large quantity of sugar, wheat and cooking oil. In the **United Republic of Tanzania,** the Government has authorized duty-free imports of some 300 000 tonnes of maize, and banned exports of agricultural commodities.

In **Latin America and the Caribbean**, the Government of Mexico that had earlier removed quotas and tariffs for food imports, has made agreements with traders to increase maize imports and reduce retail food prices. It has also recently announced food production support measures and its intention to reduce fertilizers prices by a third. **El Salvador**, **Guatemala**, **Nicaragua** and **Honduras** have jointly agreed to cancel the import levy on wheat flour until the end of the year. **Argentina** has delayed the reopening of its wheat export registry until 21 April from the previous scheduled date of 17 March. It has introduced a new scheme of variable levies for oilseeds and grains to boost state revenue while commodity prices are soaring. As an attempt to partially offset the negative impact of this scheme on farmers' profits, the Government is considering a 20 percent subsidy on the price of fertilizers. **Brazil** has removed the 10 percent import tariff on 1 million tonnes of non-Mercosur wheat until June 30. In **Peru**, the Government announced in late March the launching of a programme to distribute food to the poorest strata of the population. It had earlier removed the tariff on cereal imports. In **Ecuador**, the Government has raised the subsidy on wheat flour introduced last October from USD 10 to USD 14.3 per 50 kg. In **Bolivia**, tariff-free imports of rice, wheat and wheat products, maize, soybean oil and meat are authorized until the end of May, while a ban on exports of grains and meat products has been introduced.

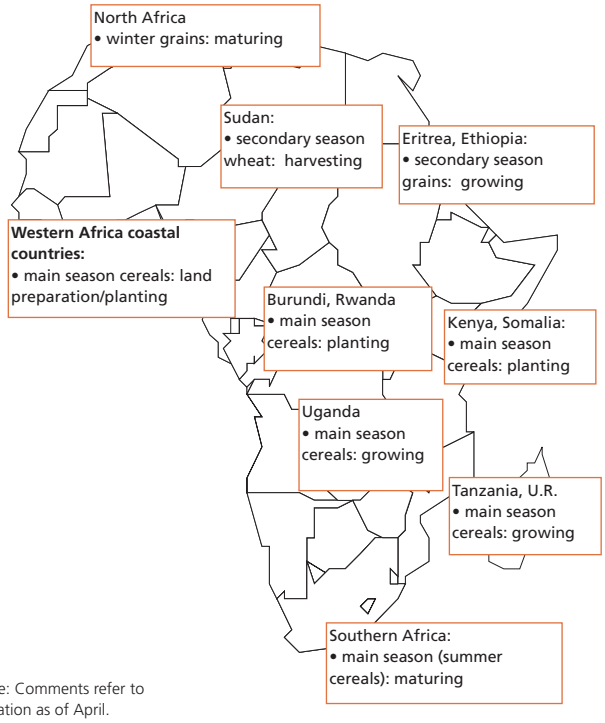
In **Europe**, the **Russian Federation** has announced high purchase prices for grain from domestic producers and is currently selling stocks to millers, after prices of wheat reached record highs in late March, in spite of the introduction of a 40 percent export tariff at the end of January. **Ukraine** has announced a plan to set limits on profit margins by the food industry and traders, as part of a package of anti-inflationary measures.

Regional reviews

Africa

North Africa

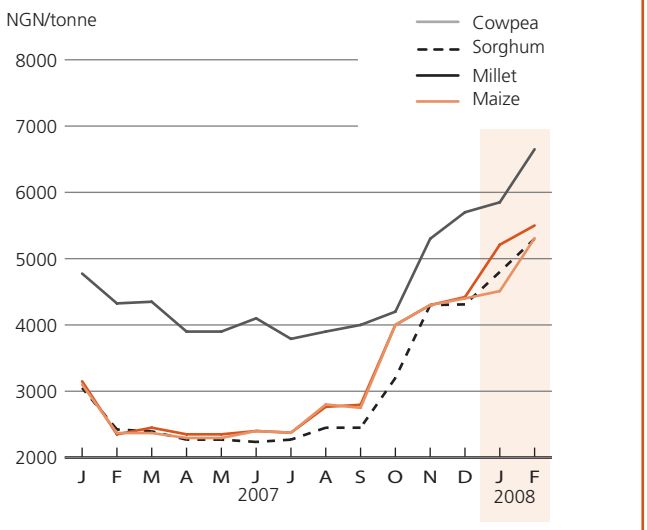
Harvesting of the 2008 winter cereal crops is due to start from June in most countries of the subregion. Crop prospects are generally favourable especially in **Morocco,** where a strong recovery in output from last year's drought-reduced crop is expected, provided normal weather prevails in the coming months. Morocco's aggregate wheat and barley area is estimated at about 4.9 million hectares, up 7 percent from last year and yields are expected to recover significantly. The outlook is also favourable in **Egypt,** the largest producer of the subregion, where the wheat area is estimated to have increased by about 12 percent pointing to significant increase in production, as crops are largely irrigated and yields remain relatively constant. By contrast, in **Tunisia**, in spite of government incentives to increase domestic production to mitigate the negative impact of high international prices on consumers, prospects are less favourable and smaller crops are forecast this year. The expected decrease is mainly a consequence of insufficient soil moisture at planting time, causing an area reduction, and of erratic rains throughout the growing season in the main producing areas, which will likely lead to poor yields. FAO forecasts the aggregate output of wheat in the subregion at some 16 million tonnes, 21 percent up from the previous year's drought-reduced level, while that of barley is put at almost 4 million tonnes, an increase of nearly 35 percent, both results being similar to the recent average.



Note: Comments refer to situation as of April.

North African countries have been seriously affected by high international cereal prices due to their high dependence on imports. However, the anticipated increase in wheat production in Morocco and Egypt this year is expected to ease the effects of rising international commodity prices on these countries' import bills.

Figure 2. Nigeria - Average monthly commodities prices in Dawanu



Western Africa

Land preparation is underway in the coastal countries for planting of the 2008 main season cereal crops, while in the Sahel, planting is scheduled for June.

High and rising food prices which are reported across the subregion, are having a negative impact on consumers' purchasing power and access to food. Already since the time of the last harvest, in September 2007, significant increases in grain prices have been observed across the subregion, raising serious concerns over the food security outlook. However, the extent of the price rise has varied from region to region and from country to country, reflecting a diversity of driving forces.

According to the results of the inter-agency[1] Food Market Assessment Mission that visited key cereal markets in several West African countries from mid-February to mid-March (see Box: Joint inter-agency Market Assessment Mission to Benin, Niger and Nigeria), the highest increases in prices have occurred in the eastern part of the subregion, notably in **Niger** and **Nigeria**.

1 CILSS, FAO, FEWSNET, SIMA and WFP

In Dawanau International Grains Market in Kano (Nigeria), the biggest in the subregion, the price of sorghum, the most traded cereal in Nigeria, jumped from NGN 275 (Nigerian Naira) per kilogramme in September 2007 to NGN 530 per kilogram in February 2008, an increase of 92 percent in 5 months. Over the same period millet price increased by 116 percent, while the price of maize in February 2008 was 96 percent above its level in August 2007. The same trend has been observed on all markets surveyed in Benin, Niger and Nigeria. For maize for example, price increases in February 2008 compared to the same period in 2007 range from 3 percent in Malanville, northern Benin to 165 percent in Minna in north central Nigeria.

The causes of the price rises in these countries are mostly regional. Although imports of cereals by Nigeria are forecast to remain above 4.5 million tonnes in 2008 (mostly wheat and rice), this represents only 15 percent of the country's total domestic cereal utilization. The cereal import dependence rate is even lower for Benin and Niger, around 5 percent. Moreover, both the CFA Franc[2] (Benin and Niger) and the Naira (Nigeria) have appreciated significantly in recent years, and domestic oil is subsidized in Nigeria, reducing the transmission of high international prices to the domestic economies. The impact of high international wheat, maize and rice prices on the domestic markets of these countries is, therefore, limited, although some substitution may have occurred. Domestic cereal prices are driven mainly by regional supply and demand, themselves determined:

- on the supply side, by lower production due to irregular rains (across the subregion), high fertilizer prices (mostly in Nigeria), and low grain prices in the past two years offering little incentive to produce. Moreover, the restrictive trade policy in Nigeria limits food imports from international markets increasing the pressure on the domestic market.
- on the demand side by, to a large extent, food processing industries and the poultry sector, which has recovered significantly although it has not reached its pre-crisis level yet. The excess liquidity generated by high oil prices is also contributing to higher demand in Nigeria.

In the western part of the subregion including **Cape Verde**, **Guinea-Bissau**, **Mauritania** and **Senegal**, food prices are driven mainly by international market trends due to the high dependence of these countries on wheat and rice imports from the international market. **Senegal's** domestic production, for instance, covers only about half of the country's cereal utilization requirements, so its rice and wheat imports amount to an average of about 900 000

2 The CFA Franc is pegged to the Euro (XOF 655.955 = 1 Euro) and the Euro has appreciated dramatically against the US Dollar in recent years.

Table 7. Africa cereal production (*million tonnes*)

	Wheat			Coarse grains			Rice (paddy)			Total cereals		
	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast
Africa	**25.0**	**20.9**	**23.6**	**104.7**	**99.9**	**108.0**	**22.4**	**22.4**	**22.9**	**152.1**	**143.1**	**154.5**
North Africa	**18.7**	**13.4**	**16.3**	**12.6**	**10.9**	**12.2**	**6.8**	**6.6**	**6.6**	**38.1**	**30.9**	**35.1**
Egypt	8.3	7.4	8.0	7.9	7.9	8.2	6.8	6.5	6.6	23.0	21.8	22.8
Morocco	6.3	1.6	4.2	2.9	0.9	2.1	0.0	0.0	0.0	9.2	2.5	6.3
Western Africa	**0.1**	**0.1**	**0.1**	**43.2**	**41.4**	**43.1**	**9.8**	**9.7**	**10.1**	**53.1**	**51.2**	**53.2**
Nigeria	0.1	0.1	0.1	24.8	23.3	24.3	4.0	3.9	4.0	28.9	27.2	28.3
Central Africa	**0.0**	**0.0**	**0.0**	**3.3**	**3.2**	**3.2**	**0.4**	**0.4**	**0.4**	**3.7**	**3.6**	**3.6**
Eastern Africa	**3.8**	**5.2**	**5.2**	**29.1**	**27.1**	**28.1**	**1.6**	**1.8**	**1.9**	**34.4**	**34.2**	**35.1**
Ethiopia	2.6	4.0	4.0	12.2	12.1	12.1	0.0	0.0	0.0	14.8	16.1	16.1
Sudan	0.7	0.8	0.8	5.9	4.7	5.3	0.0	0.0	0.0	6.6	5.5	6.1
Southern Africa	**2.5**	**2.1**	**2.1**	**16.5**	**17.2**	**21.4**	**3.8**	**3.9**	**3.9**	**22.7**	**23.2**	**27.4**
Madagascar	0.0	0.0	0.0	0.3	0.4	0.4	3.5	3.6	3.6	3.8	4.0	4.0
South Africa	2.1	1.8	1.8	7.3	7.8	11.5	0.0	0.0	0.0	9.4	9.6	13.3
Zimbabwe	0.2	0.1	0.2	1.7	1.0	1.2	0.0	0.0	0.0	1.9	1.2	1.3

Note: Totals computed from unrounded data.

Joint inter-agency[1] Market Assessment Mission to Benin, Niger and Nigeria

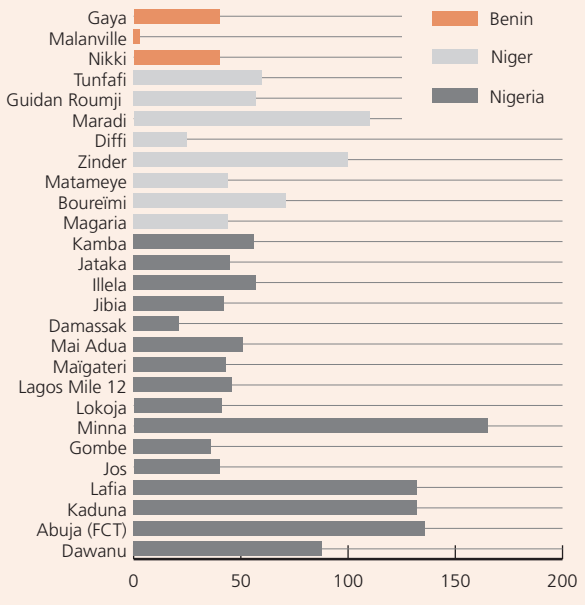
A joint inter-agency Food Market Assessment Mission visited key cereal markets in Benin, Niger and Nigeria from 14 February to 9 March to assess the current stock and price levels, as well as trade flows within and between countries and to analyze the food security implications in more vulnerable countries. Main findings:

Food production, stocks and prices

Agricultural production in 2007 was negatively affected in all three countries by an early cessation of rains in September. This was compounded in Nigeria by a lack of access to fertilizers. Cereal outputs declined from the previous year in Nigeria and Niger, and traders' stocks are low in all three countries so cereal prices have risen steeply. In Dawanau International Grains Market in Kano (Nigeria), the biggest in the subregion, real prices of maize and sorghum jumped by over 80 percent and 54 percent respectively between August 2007 and January 2008. As a result, average inflation in Nigeria, which was estimated to have fallen to 5.4 percent in 2007 due to lower food prices and improved monetary policy, has started picking up. The year-on-year rate of inflation was estimated at 8.6 percent in January 2008, driven mainly by price increases in the food sector where year on year rate of inflation jumped from -0.10 percent in January 2007 to 12.60 percent in January 2008. Food prices are a major factor in the rate of inflation, with a very high weight in the consumer price index across the subregion.

Whereas in Benin and Niger demand for cereals is driven mainly by households' effective demand and consumption, in Nigeria demand by the poultry and food processing industries, and breweries is high. In the southern and north central parts of Nigeria, demand for maize and sorghum from processing companies, poultry feed companies, and breweries was reported to be very high from October to December. Demand for maize by producers of animal feed was particularly high, pointing to a significant recovery in the poultry industry.

Maize price change in February 2008 compared to 2007 (%)



Trans-border trade and food security prospects

Food markets are strongly integrated in Western Africa with price levels in several countries determined to a large extent by developments in some key regional markets. In a normal year, Nigeria and Benin export cereals to neighbouring Niger's deficit areas. In years of low output, however, Benin and Nigeria utilize a larger share of their domestic production and sometimes import grains from Niger, exacerbating the deficit in the latter country. Parity prices of imports from regional markets are, therefore, a key determinant of food supply in these countries.

Although prices increased significantly across the subregion, this varied from market to market and from country to country, leading to significant changes in trade patterns. While millet prices have increased in Matameye and Maradi border markets (in Niger) by 23 percent and 32 percent respectively in February-March 2008 compared to the same period in 2007, the price of the same commodity has risen by 78 percent in Dawanu regional market in northern Nigeria, leading to unfavourable import parity prices in Niger. Moreover, much higher prices in central and southern Nigeria meant that southward trade within Nigeria became more attractive, limiting trade flows between Niger and Nigeria. Imports of cereals continue to take place from northern Benin to south-western Niger, reflecting lower grain prices in northern Benin. As a result, the central and eastern parts of Niger, which depend more on imports from Nigeria, are hardest hit by grains shortfall and high prices. The lowest cereal prices in Niger are currently recorded in Gaya region (West), while eastern Zinder and Diffa regions are experiencing the highest prices.

[1] CILSS, FAO, FEWSNET, SIMA and WFP

continued

In northern Nigeria, some farming households, which normally produce enough food may, therefore, face shortages before the next harvest, due to poor rainfall. With high prices, access to food by vulnerable people, notably in the Far North, is expected to be difficult. However, the production of root and tuber crops was not seriously affected which allows for some substitution. Moreover, if the Government price stabilisation intervention targets the northern states and vulnerable populations, and if prices decline as expected, the food security impact of the food shortage should be limited.

In Niger, although livestock prices have remained relatively high, the central and eastern parts of the country may experience acute food insecurity if the upward trend in food prices continues. From April on, the eastern regions will be most affected, unless timely targeted actions are taken. In view of the current food supply situation and unfavourable prospects for imports from Nigeria, the situation is seen as both serious and likely to deteriorate in these parts of Niger.

Conclusions:

- There is a need to increase access to food by poor and vulnerable populations through targeted food distribution by Governments in the subregion. Other safety net interventions, such as sales at subsidized prices, food for work or cash for work activities, are also recommended, depending on the extent of food supply in specific areas.
- Distribution of inputs such as seeds and fertilizer is also needed to enable farmers to produce enough food during the next cropping season.
- In each country, market and price conditions and the situation of vulnerable groups, need to be closely monitored in order to provide assistance as soon as it is necessary.

tonnes per annum, from the international market. Both rural and urban consumers were affected last year by high food prices, following a poor domestic harvest in 2006 and increasing cereal prices on the international market. Although the Government has implemented a series of measures aimed at offsetting the impact of the continuing sharp increase in world prices during this season, including subsidizing the purchase of wheat flour by 40 percent, waiving of import tariffs and price controls, another low domestic production in 2007 in the context of the tight international market is exacerbating inflationary pressure on the domestic food market, which will further erode the purchasing power of urban and rural consumers. **Mauritania** also relies heavily on coarse grain (millet and sorghum) imports from neighbouring Senegal and Mali, and on wheat imports from the international market. Consequently, food prices are a key determinant of access to food for the majority of Mauritanians. The prices of both coarse grains and wheat remained relatively high in 2007, reflecting the poor harvest in Senegal and high international prices. Food prices continue to climb in 2008 due to another poor harvest in Senegal and the persisting high international wheat prices. In February 2008, wheat and sorghum prices were 96 percent and 56 percent higher respectively, compared to February 2007.

Central Africa

Planting of the 2008 cereal crops has just started. In **Cameroon**, although an above-average cereal harvest was gathered in 2007, soaring international food prices have pushed up domestic prices of several basic foodstuffs including rice, oil, milk, etc, which has recently caused serious social unrest. As a result, the Government has taken a number of measures including increasing the salaries of civil servants by 15 percent, waiving import tariffs on a set of foodstuffs, and reviewing the pricing of fuels. In the **Central African Republic**, farming activities continue to be hampered by persistent insecurity with large-scale population movements both within the country and to neighbouring countries, notably in the north, where nearly 300 000 people have reportedly been uprooted from their homes over the past two years. Continuing insecurity in both Chad and the Darfur region of Sudan threaten to further destabilize the situation in northern parts of the country.

Eastern Africa

Delayed rains affecting secondary cereal crop in Ethiopia

The aggregate output of the 2007 cereal crop in the subregion is estimated at 34.2 million tonnes slightly lower than the previous year but still 20 percent above the average of the past five years. This total includes a preliminary estimate for the secondary "belg" season crop in Ethiopia, which will be harvested from June 2008 and for which the outlook is uncertain due to a delayed onset of rains.

In **Eritrea**, the output of the 2007 main season cereal crops, harvested late last year was estimated to be normal, reflecting generally favourable weather conditions. However, domestic cereal production in the country covers only about one-fifth of total consumption requirements and large quantities have to be imported every year. Current high food prices continue to affect large number of vulnerable people.

In **Ethiopia**, the prospects for the current secondary "belg" season crops for harvest from next June, are uncertain due to a delayed start of the rains. The National Meteorology Agency (NMA) of Ethiopia has forecast below-normal March to May rains in most parts of the country. These poor rains would extend existing drought conditions, in southeastern parts resulting from the poor performance of the 2007 main and second rain seasons, and have negative impacts on already highly food insecure households.

In **Kenya**, planting of the 2008 main season cereal crop is about to start. The yields of the recently harvested 2007/08 secondary "short rains" cereal crop, were reduced reflecting October-December inadequate and poorly distributed rains in several northern and eastern pastoral areas, agro-pastoral, coastal and eastern marginal agricultural regions. This poor rainfall performance has interrupted three consecutive seasons of improvement in the food security status of most households in these areas. Post election political unrest has further disrupted markets, leading to increased food prices and impaired agricultural production through increased costs of inputs in the mixed farming regions in Rift Valley, Western and Central Provinces. The combination of displacement and high production costs threatens to reduce the land under cultivation in these areas by up to 30 percent, with a potential negative impact on food availability and access countrywide. About half of agricultural land in North Rift, the key maize producing area, has not yet been prepared for the planting season this month.

In **Somalia**, planting of the main 2008 "gu" cereal crop is underway. According to the Climate Outlook Forum for the Greater Horn of Africa, the April to June rains for most of the country are forecast to be normal to below-normal. These rains are essential for the replenishment of water sources, regeneration of pasture and for the production of the crops that are harvested from August in central and southern areas. In these areas many pastoral and agro-pastoral households already face high to extreme food insecurity due to multiple recent shocks, including floods, conflicts, hyper-inflation and drought.

In **Sudan**, the outlook for the irrigated wheat crop, now being harvested, is favourable, reflecting adequate irrigation water supplies and relatively low temperatures. The output from this crop is preliminary estimated at some 800 000 tonnes, about 15 percent higher than last year's above average crop. The sorghum crop, harvested in November-December last year, is estimated at 3.9 million tonnes, one million tonnes less than previous year's bumper crop, but well above the average for the previous five years. The 2008 coarse grains crop, mainly sorghum, is due for planting from June.

In the **United Republic of Tanzania**, the main coarse grain crop, now in the ground, is due for harvest from May while the harvesting of the 2007/08 short rainfall "vuli" season crops is over. This crop accounts for some 30 percent of annual food supplies. The performance of the season was below average due to poor rains, particularly in Kilimanjaro, Arusha, and Tanga regions. The 2007/08 coarse grains production, estimated at 4.0 million tonnes, compares with 4.2 million tonnes in the previous year. The food supply situation is generally satisfactory throughout the country with the exception of areas in the region of Arusha and Iringa where food shortages, mainly due to a volcano eruption on Mount Oldongai and fire disaster, where reported.

In **Uganda**, the sowing of the 2008 main season coarse grain crops has just been completed. The output from the second season crop, recently harvested, is estimated to be about average, except in the flood hit eastern districts where crops were destroyed. It is estimated that about half of the production will be available for the market. Eastern and Northern Uganda experienced heavy rains during the three months of July, August and September 2007 that resulted in severe floods in many locations, including Amuria and Katawi districts of Teso subregion, where crop losses were particularly high.

Large numbers of people in several Eastern Africa countries are currently affected by conflict and civil unrest

In **Somalia**, the food security situation continues to deteriorate for more than 2 million people who are in need of basic humanitarian assistance and livelihood support for at least six months. Intensive conflict in Mogadishu continue to force an average of 20 000 people to live their home each month. This, coupled with record high food prices, hyper-inflation

and droughts in large parts of country, is leaving communities struggling to survive. In many pastoral and agro-pastoral areas, households already face high to extreme food insecurity due to multiple recent shocks which include floods, conflicts and drought. The humanitarian situation has particularly deteriorated in the Shabelle, Hiran and Central regions.

In **Ethiopia**, notwithstanding a bumper cereal harvest for the second year in a row, 8 million chronically food insecure people, and 2 million people affected by civil insecurity, high food prices and localized unfavourable weather, will require emergency relief in the form of cash transfers and other assistance. In an effort to reduce the impact of 20 percent annual inflation on poor people, the Government has recently decided to cancel the value-added and turnover taxes on food grains and flour - which constitute more than half of the country's consumption – as well as all types of taxes imposed on cooking oil and on soap. Earlier, the Government had devised measures which include provision of direct and indirect subsidies, and had spent ETB 372 million (Ethiopian Birr) or USD 38 million to subsidise wheat and ETB 3.52 billion (USD 366 million) to subsidise fuel. The current monthly distribution of 25 kg of wheat for low-income urban dwellers, introduced in March 2007, will be maintained as well as distribution of edible oil and other products. The Government has also announced the imports of a large quantity of sugar (1.5 million tonnes), wheat and cooking oil.

In **Kenya**, the Special Programmes Ministry reports that over 60 000 people in Taita-Taveta district alone face starvation following a crop failure caused by erratic rains in the last two seasons. Post election political unrest has also damaged the livelihoods of the IDPs, most of whom were farming families, traders and generally food secure with high resilience. Some 207 000 living in camps are under humanitarian emergency. An additional 130 000 are integrated with host families.

In **Sudan**, conflicts between Missarya nomads and southern security forces in northern Bahr el Ghazal are spreading to Abyei County and northern Unity State, causing market disruptions and posing high risk to food security. In the north, displacement and loss of livelihoods are expected to continue in Darfur where malnutrition rates are likely to deteriorate in the coming months.

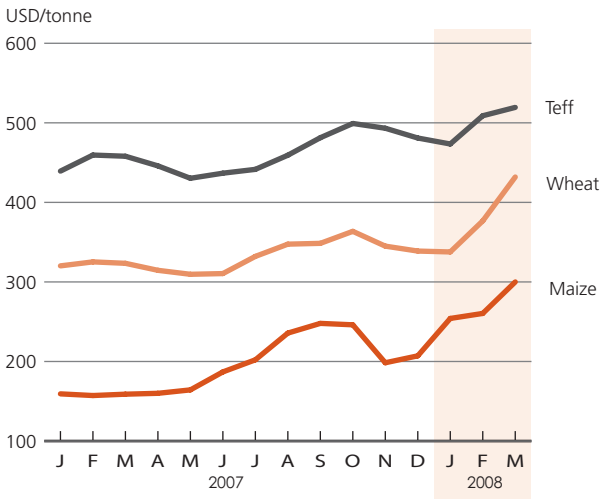
Eastern and northern **Uganda** experienced heavy rains during the three months of July, August and September 2007 that resulted in severe floods in many locations including Amuria and Katawi districts of Teso subregion, where crop losses were particularly high. The effects of the floods are still severe as they compromised food security in these areas. Karamoja is next in need of assistance, but not primarily because of flood damage. Here, food security problems stem mainly from prolonged insecurity, drought in 2006, a late start to the 2007 cropping season, falling livestock prices and a severe attack of honeydew on sorghum, the main staple. The entire Karamoja population of one million people is food insecure and in need of emergency food aid. The Government has provided some farm implements and seeds to farmers, but the population still needs food relief to bridge consumption up to the next harvest in June.

Cereal prices continue to increase

In **Ethiopia,** grain prices have again increased in February and March after a slight decrease in the previous three months. Wheat in Addis Ababa in March increased to ETB 432 per quintal (USD 46.55) from ETB 349.75 per quintal (USD 37.67) in February. Mixed Teff in the same market was quoted in March at ETB 519 per quintal (USD 55.90) compared to ETB 405 per quintal (USD 45.80) a year earlier. With prevailing high prices, poor households are expected to find it more difficult to secure access to adequate food supplies.

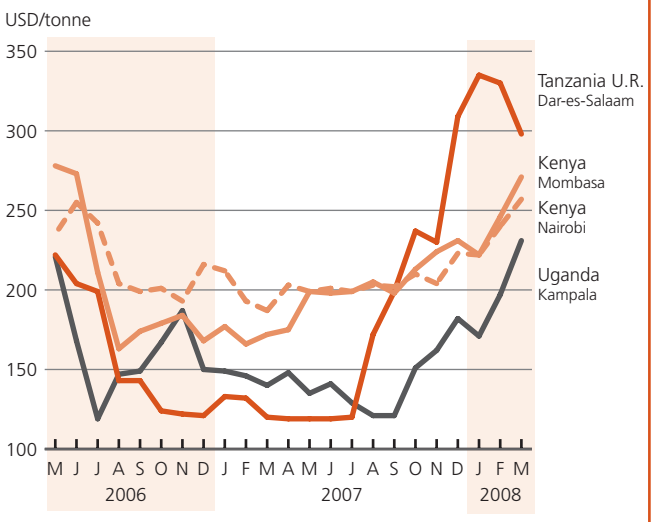
The factors behind this unusual behaviour of increasing prices despite successive good crops, include: increased overall economic activity, especially construction of roads and housing in urban areas, increased liquidity in the economy due to partially cash based assistance in the safety net programmes, which in turn reduce in-kind food aid; the spread of the credit repayments by farmers throughout the year rather than immediately after harvest; budgetary support at district level which increased effective demand through salary payments; increased formal and informal cross-border trade in grains; local purchases cooperatives and relief agency.

Figure 3. Selected cereal prices in Addis Ababa, Ethiopia



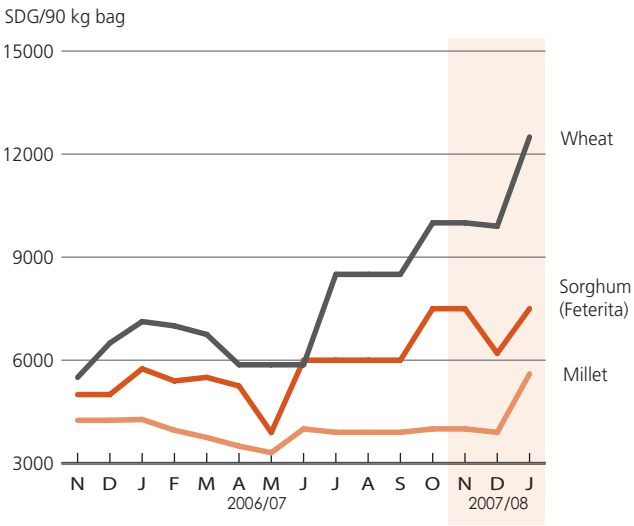
Source: Ethiopian Grain Traders

Figure 4. Maize prices in selected Eastern Africa markets



Source: Eastern AFrica Regional Agricultural Trade Intelligence Network

Figure 5. Monthly wholesale prices of staple cereals in Khartoum, Sudan



In **Kenya**, due to soaring import prices, reduced secondary season crop and post election disturbances, the price of maize in the Nairobi market - which fluctuated between USD 210 per tonne and USD 223 per tonne in the period October 2007 and January 2008 - increased to USD 257 per tonne in March.

In **Somalia**, the disruptions of the Bakara market in Mogadishu (the main marketplace in southern Somalia) have intensified the rise in stable food prices which had been rising since May 2007. The increase in prices of basic commodities has been even more pronounced in the northern-eastern region (Puntland) because of crippling inflation linked to an influx of currency. Businessmen in Bossaso, the region's commercial capital report that the price of 50 kg of wheat flour had almost tripled, in a year, from an equivalent of USD 12 to USD 33 or SOS 900 000 (Somalia Shillings). This increase in prices, coupled with the depreciation of Somali shilling and increased fuel and transport costs, are causing serious problems of food access for the poor population.

In **Sudan**, as reported by the Ministry of Agriculture and Forestry sorghum and millet prices in all major markets are stable at a high level during the usual immediate post-harvest time (February-March). The expected seasonal downward trends, in prices that normally occur during the harvest and immediate post-harvest periods, were less marked than previous years. The wholesale price of sorghum in Khartoum is 6 percent lower than the 2002-2006 average for this time of the year, and in the producing area of Gedaref it is only 2 percent lower than the average. However, this relatively low level of prices is expected to end in the coming months when private and government stocks lessen. By contrast, wheat prices have steadily increased since June 2007, following widespread increases on international markets. February wheat prices in Khartoum increased by some 6 percent compared to the previous month, and were 90 percent higher than the February 2007 prices.

In the **United Republic of Tanzania**, in response to lower production, increased transport costs from rising fuel prices and a government campaign for standardization of grain weights at the farm gate, wholesale food prices in all markets are higher than normal for this time of the year. Wholesale maize prices in Dar-es-Salaam - quite low in mid-2007, averaging USD 120 per tonne - began to increase sharply since August 2007, to reach USD 325 per tonne in January 2008. In February, prices started to decline and were quoted at USD 298 per tonne in March. In an effort to limit the price increases, and to mitigate the effects of the localized food shortages, the Government authorized the imports of about 300 000 tonnes of maize duty-free and imposed an export ban on agricultural commodities.

In **Uganda**, prices of maize that had been declining since the beginning of last year, reaching their low levels of USD 121 per tonne in September 2007, increased sharply to USD 151 in October and averaged at USD 182 per tonne in December 2007. In March 2008, prices reached USD 231 per tonne.

Southern Africa

Prospects for the 2008 cereal crops in Southern Africa are generally favourable except in Zimbabwe and southern parts of Mozambique

In **Southern Africa,** the 2007/08 agricultural season is approaching harvest. Although the planting rains started later than usual, excessive precipitation persisted during December and January throughout the region causing serious flooding in many low-lying areas, especially along the river basins in Mozambique, Zambia, Zimbabwe, Malawi and Madagascar. Since February rains have diminished, and unfavourably dry weather has returned to some countries including most of Zimbabwe, parts of eastern Botswana, southern Malawi, southern Mozambique, eastern Swaziland and central Zambia. However, despite these weather vagaries, overall prospects for the subregion as whole are considered favourable, marking a recovery from last year's drought-affected season in several countries. However, significant rises in international prices of fuel and fertilizer have affected the use of these key inputs in agriculture, dampening yield prospects somewhat.

The area planted to maize this season in **South Africa** is officially estimated at about 3.2 million hectares, 10 percent up from last year, largely reflecting high maize prices and above-average and well-distributed rainfall in the primary maize growing areas (the maize triangle). Output is forecast to reach a bumper level of 11 million tonnes, an increase of about 50 percent over last year's drought-reduced crop. Large input subsidy schemes were again implemented in **Zambia** and **Malawi,** enabling small farmers to use quality seed and fertilizer. This is expected to have a significant positive effect on their total maize harvest later this year. On the contrary, a long dry spell of about 3 to 4 dekads in southern and central parts of **Zimbabwe** and southern parts of **Mozambique** is expected to lower this season's harvest. In Zimbabwe, farmers were faced with additional problems such as shortages and high prices of key inputs such as fertilizer, seed, fuel, and tillage power, further compounded by severe flooding in several districts.

Food imports this year picked-up during the lean period compared to the same time last year

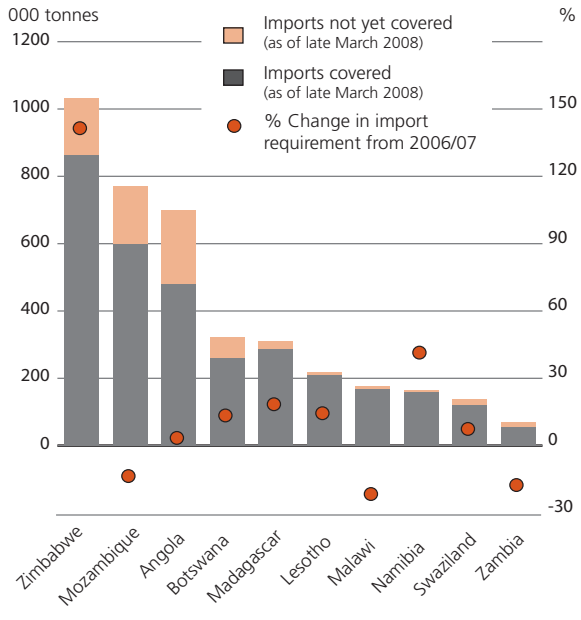
Available figures by late March 2008 show that only 82 percent of import requirements of all cereals have been received and/or contracted/pledged since the beginning of the marketing year in April 2007 (see Figure 6). Imports have picked up during the last few months, in spite of high import prices. However, wheat and rice imports were slower than those of maize because of relatively higher price increases for these commodities. Given that the marketing year is almost completed, very little additional imports would come in within this marketing year ending by March or April.

Table 8. 2007/08 import requirements and current import position for Southern Africa, (excluding South Africa and Mauritius) and comparison with import cover in 2006/07 [1]

	2007/08 Import requirements	2007/08 Import requirements covered[2] by late March 2008		2006/07 Import requirements covered[2] by late March 2007
	(000 tonnes)	(000 tonnes)	(%)	(%)
Total cereals				
Total	**3 900**	**3 199**	**82**	**67**
Commercial	3 285	2 717	83	64
Food aid	615	482	78	92
Maize				
Total	**1 431**	**1 206**	**84**	**69**
Commercial	1 100	984	89	73
Food aid	331	221	67	46

Source: FAO/GIEWS estimation.
[1] Available import data varies from December 2007 to late March 2008.
[2] Contracted/pledged/received.
Note: Marketing year mostly April/March.

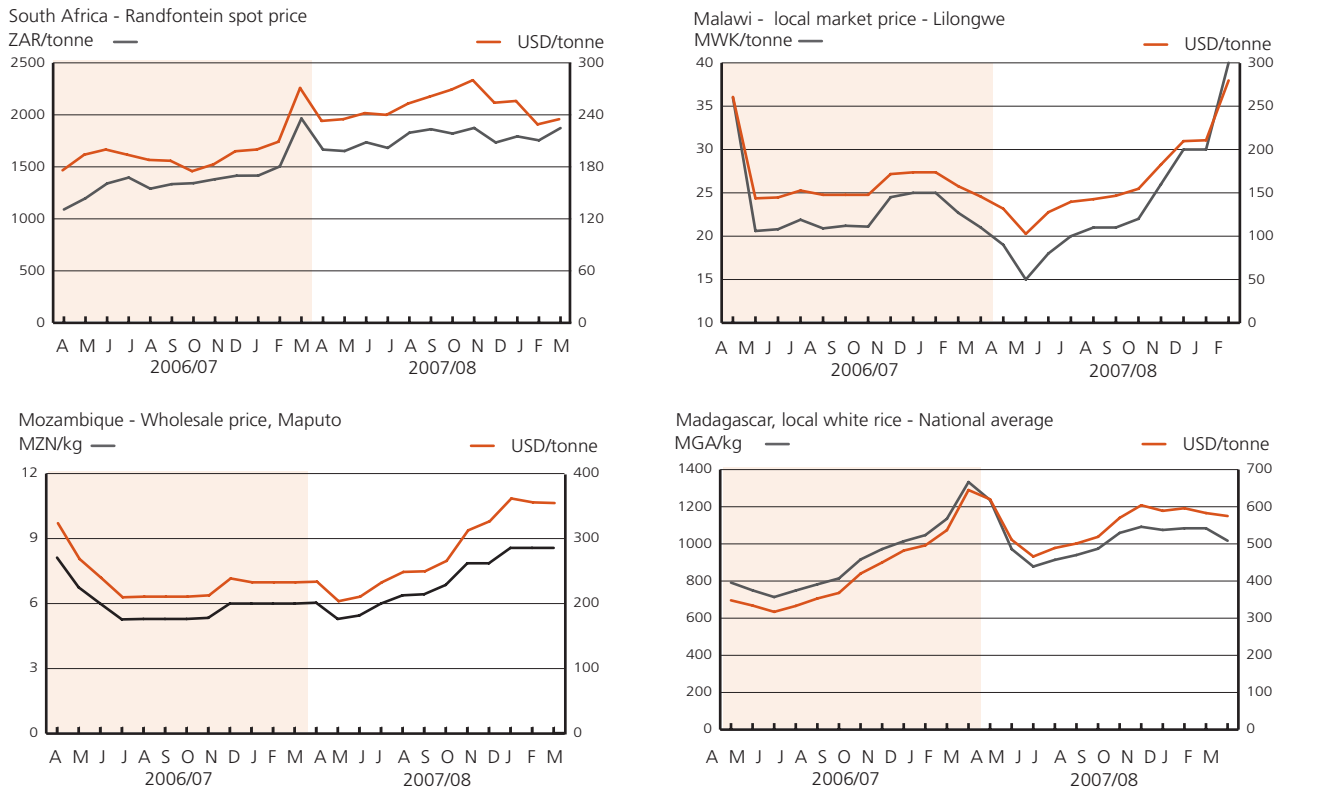
Figure 6. Southern Africa - Total cereal import requirements for 2007/08 and percentage change from 2006/07



Current cereal prices remain high but mostly stable in the region

Prices of main cereals this marketing year have been much higher than at the same period last year due to strong international and regional demand and weak supplies. Current prices of maize, the most important staple foodstuff in most countries of the subregion, including **Malawi** where significant exportable surplus exists, are well above their corresponding levels a year earlier (see Figure 7). In **South Africa**, the region's main exporting country, the March 2008 price (Randfontein spot) was 13 percent higher than at the beginning of the marketing year in May 2007, at ZAR 1 873 (South Africa Rand) per tonne. In **Mozambique,** the price in March (Maputo wholesale) of MZN 8.57 (Mozambique Metical) per kilogramme was 43 percent higher than for the corresponding month in 2007. The April 2007 to March 2008 average price of rice, the main staple in **Madagascar**, has been about 12 percent higher than the average for the same period a year ago. Prices have stabilized in recent months and are expected to decline with the arrival of the new harvest starting in April-May. The trend in the current (February-March) prices in various countries reflects expectations regarding the upcoming harvests.

Figure 7. Prices of white maize and rice in selected markets

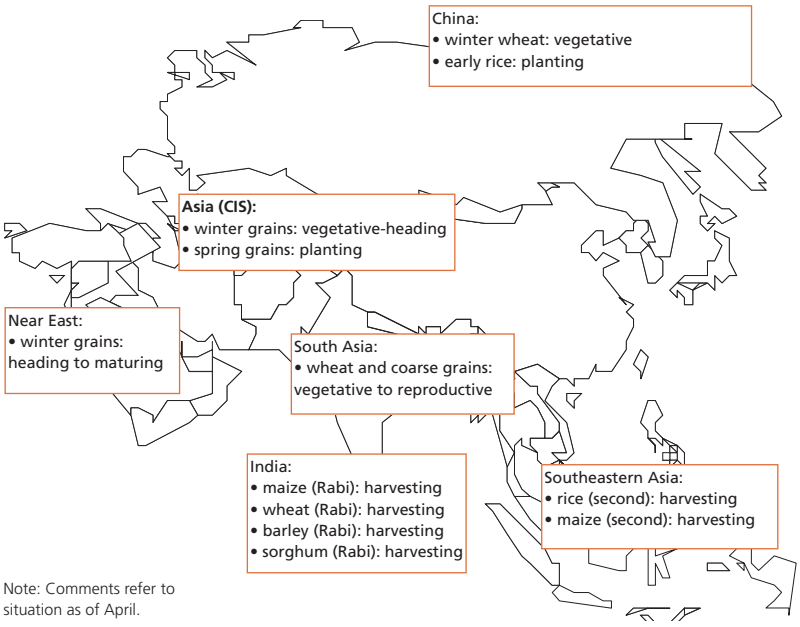


Sources:
South Africa: Randfontein spot price (www.safex.co.za).
Mozambique: SIMA, Monthly average wholesale prices in Maputo.
Malawi: Lilongwe - Local market price MoAFS & FEWSNet,
Madagascar: Observatoire du riz.

Asia

Far East

Favourable outlook for the 2008 winter grain crops



Note: Comments refer to situation as of April.

The outlook is generally favourable for the developing winter wheat crop throughout the subregion, but based on latest indications, output is likely to turn out a little short of last year's record. In **China**, the winter wheat crop, which accounts for about 95 percent of China's total wheat production, was planted on an estimated 21.5 million hectares last autumn, unchanged from the record of the previous year. Winter wheat output is expected a little lower than last year's record, reflecting extreme dry conditions that persisted in northern and northeast regions from January until late March before much-needed rains arrived. The winter wheat in some provinces in southern China was also marginally impacted by extreme heavy snow and cold weather. However, a larger spring wheat crop is expected to offset the winter crop decline and aggregate output is forecast to remain at last year's record level. In **India**, weather conditions for this year's winter wheat crop have been generally favourable and output for 2008 is officially forecast at some 74.8 million tonnes, compared to a near record production of 75.8 million tonnes last year. This year's smaller crop forecast reflects a decline at 500 000 hectares in planted area and unfavourable weather at planting time in some major producing provinces. However, this output is still 6.3 percent above the five year average. Similarly, a smaller wheat crop is expected in **Pakistan** this year. Output is forecast at one million tonnes less than last year's record, reflecting a reduced area due to sowing delays, less availability of irrigation water and high fertilizer prices. However, output could still be 5.3 percent higher than the five-year average. The price of wheat in Pakistan remains lower than in neighbouring countries, so that wheat (flour) is being smuggled out of the country; domestic food prices are increasing as a result.

Based on the latest information, 2007 paddy production of the subregion is estimated at a record of 584.6 million tonnes, up about 8 million tonnes from the previous year, while 2007 aggregate cereal output is estimated at a record of 1 022 million tonnes, some 20 million tonnes above the previous year, mainly reflecting bumper crops in China, India, and Indonesia.

Food supply difficulties persist in several countries due to reduced 2007 cereal crops and rising food prices

In the **Democratic People's Republic of Korea**, the 2007 cereal harvest is officially estimated at some 3 million tonnes (rice in milled terms), some 1 million tonnes lower than the record of the previous year and 750 000 tonnes below the five-year average. With this low 2007 production, the cereal deficit for the 2007/08 marketing year (November/October) is estimated at 1.66 million tonnes (see Box). Over four months after Cyclone Sidr hit up to 30 districts in **Bangladesh** on 15 November 2007, large-scale humanitarian relief operations are still ongoing in the country to assist the most affected 8.9 million people. Food and non-food items are being distributed in 13 cyclone-affected districts. The reduction in 2007 paddy production and rising food price since 2007 (Figure 9) are significantly impacting the food security of vulnerable populations in both urban and rural areas. In **Sri Lanka**, the country's food security continues to be affected by

Figure 8. Retail rice price index in Pakistan (February 2007=100)

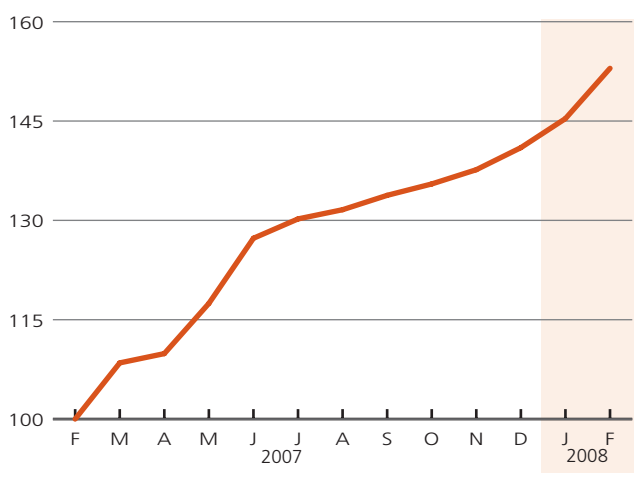


Figure 9. Wheat and rice retail prices in Bangladesh

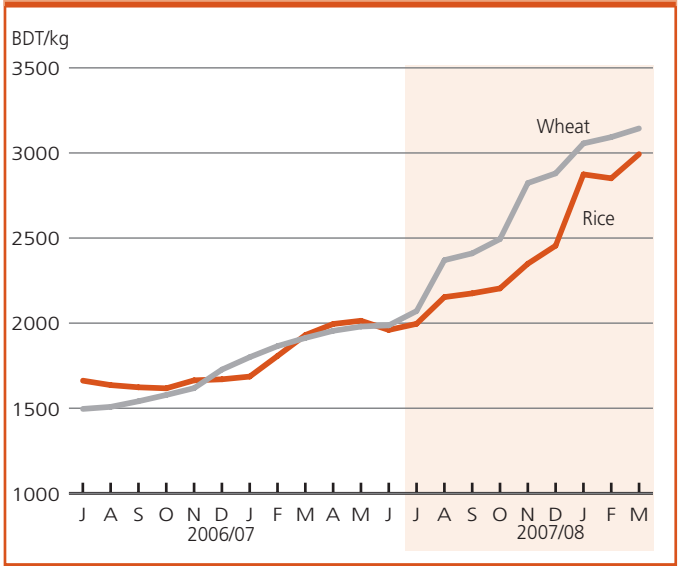
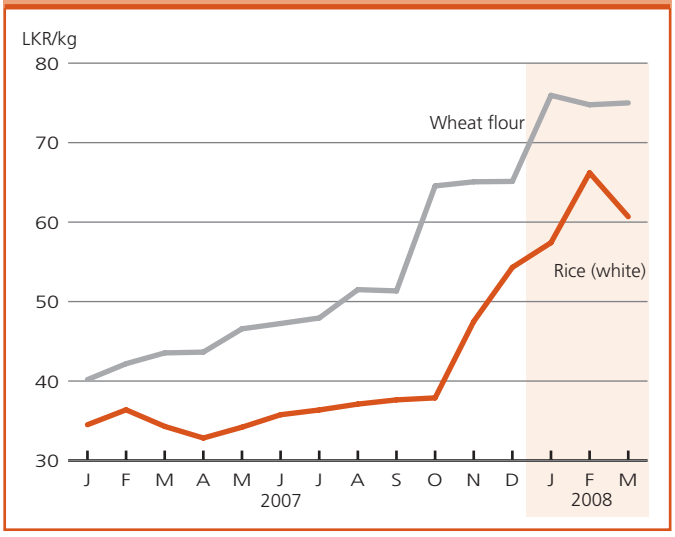


Figure 10. Wheat flour and rice retail prices in Sri Lanka



the resurgence of civil conflict, natural disasters (recent floods), as well as rising cereal prices (Figure 10). Since the beginning of 2008, more than 2 500 people have reportedly been killed in fighting and the security situation has deteriorated. Rice and wheat flour prices in March 2008 in Colombo city were higher by 77 percent and 72 percent, respectively, compared to the same period in 2007. Heavy rains in March affected more than 340 000 people and displaced some 7 000 families; crop damages were also reported in northwestern region, especially in the Mannar district. The food security situation has also continued to deteriorate in the past months in **Timor-Leste** and **Nepal** as a result of political instability and rising food prices. In Timor-Leste, a state of emergency, declared soon after the February 11 attacks, was extended for another month, to April.

Some 20 provinces of southern **China** suffered from disastrous cold, ice, and snow in January and February and some 100 million people are officially estimated to have been affected. The most severely impacted crops and agricultural products include rapeseed, vegetables, fruits, forest products, and livestock products. According to

Table 9. Asia cereal production (*million tonnes*)

	Wheat			Coarse grains			Rice (paddy)			Total cereals		
	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast
Asia	**270.9**	**280.9**	**277.0**	**253.4**	**255.5**	**253.8**	**582.6**	**590.2**	**600.4**	**1 106.9**	**1 126.5**	**1 131.3**
Far East	**199.0**	**207.9**	**206.4**	**226.7**	**229.8**	**227.6**	**577.0**	**584.6**	**594.6**	**1 002.7**	**1 022.4**	**1 028.7**
Bangladesh	0.8	0.8	0.9	0.5	0.5	0.5	41.0	40.7	42.5	42.3	42.0	43.8
China	104.5	106.0	106.0	156.7	157.3	156.1	184.1	185.5	188.5	445.3	448.8	450.6
India	69.4	75.8	74.8	33.2	35.7	34.4	140.0	141.1	142.5	242.6	252.6	251.7
Indonesia	0.0	0.0	0.0	11.6	12.4	12.0	54.5	57.1	58.3	66.1	69.5	70.3
Pakistan	21.7	22.5	22.0	3.8	3.7	3.7	8.2	8.2	8.3	33.7	34.4	34.0
Thailand	0.0	0.0	0.0	4.0	3.9	4.2	29.6	30.2	30.5	33.7	34.1	34.7
Viet Nam	0.0	0.0	0.0	3.8	3.6	3.7	35.8	35.9	36.0	39.6	39.4	39.7
Near East	**47.2**	**45.2**	**45.4**	**22.1**	**20.1**	**21.5**	**4.8**	**4.9**	**5.1**	**74.1**	**70.2**	**72.1**
Iran (Islamic Republic of)	14.5	15.0	15.0	4.7	5.1	4.9	3.3	3.5	3.6	22.5	23.6	23.5
Turkey	20.0	17.3	18.0	13.9	11.7	13.2	0.7	0.5	0.6	34.6	29.5	31.8
CIS in Asia	**24.6**	**27.6**	**25.0**	**4.6**	**5.4**	**4.6**	**0.7**	**0.7**	**0.7**	**29.9**	**33.7**	**30.3**
Kazakhstan	13.7	16.5	14.0	2.5	3.3	2.5	0.3	0.3	0.3	16.5	20.1	16.8

Note: Totals computed from unrounded data.

China's Ministry of Agriculture, the affected rapeseed area is estimated at 3.26 million hectares (410 000 hectares of which are completely lost) accounting for 48.4 percent of national rapeseed area. Direct economic losses are estimated at CNY 100 billion (Yuan) or USD 13.8 billion. Similarly, unusually cold weather in **Viet Nam** has been sweeping through the upland areas near the Viet Nam-China border since 14 January, making it a record-long cold spell. About 150 000 hectares of rice were destroyed and about 90 000 head of livestock died, of which 75 percent were young calves and young buffaloes.

In **Indonesia**, the avian influenza situation remains critical despite containment effects undertaken by national authorities and the international community. Avian influenza has reportedly become deeply entrenched in the country with 31 out of 33 provinces being infected. The avian influenza situation in **Bangladesh** is also serious with 47 of Bangladesh's 64 districts affected, and more than 1.5 million birds reportedly killed since March of last year.

Near East

In **Afghanistan**, the extreme cold conditions in January and February, which caused hardship and crop losses, notably in

Severe food shortages in the Democratic People's Republic of Korea

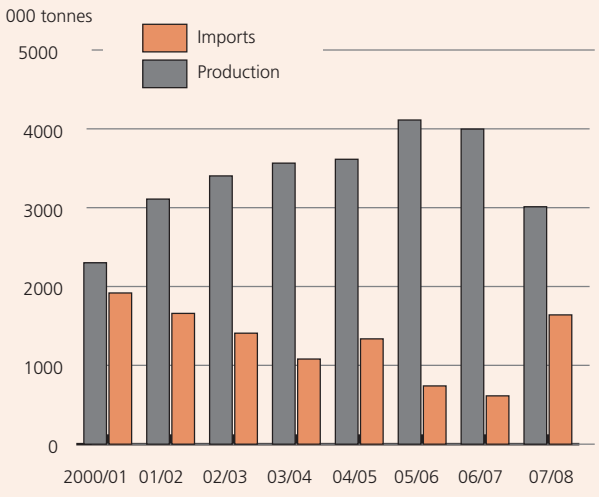
In addition to long-standing economic constraints, the Democratic People's Republic of Korea was severely affected by floods in 2007 and continues to suffer from serious food shortages. Based on the most recent Government estimates, total cereal production in 2007 is about 3 million tonnes (milled base, or 3.6 million tonnes unmilled), a significant reduction from the 4 million tonnes of the previous year and the five-year average of 3.7 million tonnes. The major cereal losses were in maize, 33 percent down from the previous year, and in rice 25 percent down from the previous year. Potato production was estimated to have increased by 80 000 tonnes (in cereal equivalent), or 17 percent from the previous year. Soybean output also reportedly increased.

With this low 2007 production, the cereal deficit for the 2007/08 marketing year (November/October) is estimated at 1.66 million tonnes on the basis of a per caput cereal-equivalent consumption close to the reference historical trend of some 170 kg per caput (including potato and soybeans). The country may again have to depend on external assistance as its capacity to import commercially remains limited by poor economic performance and recent increases in world food prices.

As a result of domestic food shortages, market prices in Pyongyang have increased significantly. By comparison to early 2007, current prices for both rice and wheat flour have doubled, while maize prices have also risen substantially. The Public Distribution System, the main source of staple foods for the majority of the population, has reportedly reduced state food rations in its main grain-producing areas and even in the capital city.

Winter wheat and spring barley are the current growing crops, but they account for a small share of total annual cereal production, some 10 percent. Winter wheat was sown from the end of last September to mid-October, while spring barley has been sown in March. Both crops are to be harvested in the second half of June.

Democratic People's Republic of Korea - Cereal production and imports



Notes:
Cereal production in milled rice equivalent.
Imports for the 2007/08 marketing year (November/October) are forecast based on the historical utilization trend.

eastern areas bordering Tajikistan, have come to an end. While winter vegetable crops have been damaged in the worst affected areas, the extent of the damage to winter wheat, if any, is not yet known. The normally dry south has experienced an unusually wet winter this year, while central areas of the country and western highland areas have received less snow than usual. Unless these central and western areas receive good rains in the April-June period, water reserves for irrigated crops may become very scarce. This could already have some impact on this year's main irrigated crop harvest from May for downstream farmers whose land is far from water reservoirs, but could have a more widespread impact at the time of pre-winter cultivation in August, September and October of 2008, thereby affecting the 2009 crop harvest.

Although it is too early to forecast the full implications of this winter's anomalous weather pattern on crop production, the 2008 cereal harvest is tentatively expected to be an about-average 4.6 million tonnes, somewhat less than the 2007 crop. However, a favourable harvest outcome is only possible with good and regular rainfall for the remainder of the growing season, including in the bulk of the rain-fed crop areas in the North.

In **Jordan**, with below normal cumulative rains, the outlook for the 2008 winter grain crops due for harvest from May is unfavourable, and output is estimated to be lower than last year's crop of about 60 000 tonnes. The Government has recently implemented a plan to deal with a severe water deficit estimated at over 500 million cubic meters annually. Over the past five years, the arrival of about half a million refugees from Iraq has aggravated water shortages. The plan envisages that the amount of water pumped to farmers for irrigation would be reduced by at least 50 percent, with only crops that do not require a large amount of water to be allowed. The quantity of water pumped to households will also be reduced and rationed. The country depends entirely on rain water during the winter season to meet demand. Last year, some parts including the Jordan Valley – the kingdom's main agricultural area – received only 60 percent of the expected rainfall. Recently the Ministry of Planning has called for international help to alleviate the problem of water scarcity and indicated that JOD 430 million (Jordanian Dinar) or USD 606 million are needed for projects to increase water reserves.

Some recent policy developments in China Mainland

Production

After the recent surge in rice and other food prices in Asia, the Government of China announced a series on measures to boost agricultural production in 2008, including:

- Increasing the minimum purchase prices of wheat and rice. White wheat price will rise from CNY 1 440 (Yuan) per tonne in 2007 to CNY 1 540 per tonne 2008, red wheat and mixed wheat from CNY 1 380 to CNY 1 440 per tonne, early indica (unmilled) from CNY 1 400 to CNY 1 540 per tonne, middle and late indica (unmilled) from CNY 1 440 to CNY 1 580 per tonne, and japonica (unmilled) from CNY 1 500 to CNY 1 640 Yuan/tonne;
- Increasing input direct subsidies (farm machinery, farm use of fuel and fertilizers) from 346 per hectare to CNY 600 per hectare;
- Increasing seed subsidies by CNY 5 billion;
- Increasing funds for flood and drought preparedness, and for agricultural infrastructure investment;
- Increasing subsidies for loan interest rates to support large counties in the production, processing and marketing of grain, vegetable oil, and meat;
- Increasing subsidies for animal inspection and quarantine systems;
- Waiving of transportation passing fees for fresh agricultural products;
- Strengthening controls on agricultural input and output markets;
- Provision of better agricultural financial service and loans for agriculture development in middle and western China.

Trade

After having removed the VAT export rebate on wheat, rice, maize and soybeans in late 2007, the Government introduced export duties of 20 percent on wheat, buckwheat, barley and oats early this year. It also put in place a 25 percent export duty on wheat flour and starch, as well as a 5 percent duty on rice, maize, sorghum, millet and soybeans, and a 10 percent one on the flours of maize, rice, and soybeans. China has also imposed export quotas on flour from wheat, maize and rice, and stepped up wheat and maize sales from state reserves, to prevent domestic price rises.

Asian CIS

High international cereal prices are resulting in larger plantings of cereals, particularly wheat, for the 2008 harvest in the Asian CIS countries. Chief amongst these is **Kazakhstan**, where the area to be sown to wheat is to rise by over 1 million hectares, to 13.2 million hectares. In the other countries, which have to import expensive wheat, the area is also foreseen to increase: Azerbaijan, Kyrgyzstan, Tajikistan and Turkmenistan. In **Armenia,** the Government is taking steps to significantly step up wheat production in 2008/09, by importing improved seed, subsidizing the area sown to wheat and encouraging irrigated wheat production. In **Azerbaijan**, the government is predicting a sharp 22 percent increase in wheat production in 2008. At this early stage, when winter grains have recently emerged from dormancy and spring grains are being planted, the aggregate 2008 cereal harvest in the subregion is tentatively estimated at an about-average 30 million tonnes, of which 25 million tonnes would be wheat. Kazakhstan alone could account for almost 17 million tonnes of grains, including 14 million tonnes of wheat. However, these estimates depend crucially on normal growing conditions throughout the period up to the harvests in July-September.

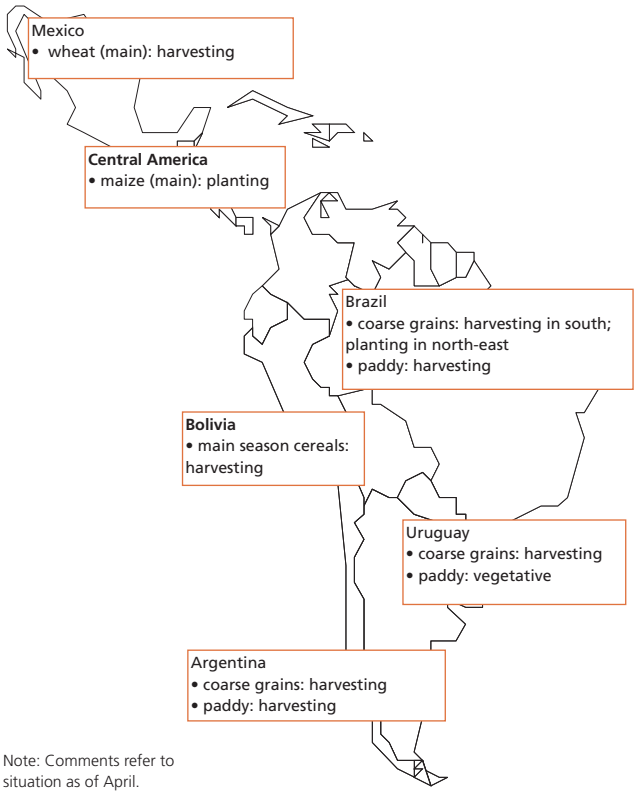
In 2007, the cereal harvest in the subregion reached an estimated 33 million tonnes, including an officially estimated 20 million in **Kazakhstan**. In **Uzbekistan** the 2007 harvest is officially put at a record 6.1 million tonnes, including 5.7 million tonnes of wheat. Despite estimates of larger production in Turkmenistan (2.1 million tonnes including 1.9 million tonnes of wheat) imports have risen sharply this year to ensure adequate domestic supplies. Output in **Kyrgyzstan** reached 1.4 million tonnes, half of which is wheat. In **Georgia**, the cereal harvest in 2007 recovered from the drought-reduced level of 2006, reaching 400 000 tonnes, but areas sown to cereals continue to decline, as the country has little comparative advantage for cereal production. In **Armenia**, indications also point to a trend away from cereal production, although good yields in 2007 led to an above-average output of 400 000 tonnes.

In **Tajikistan**, the food security situation is particularly difficult. Low purchasing power continues to limit access to expensive wheat, vegetable oil and fuel. Under normal conditions, most of the population spend over half of their income on food, while the most vulnerable spend 70-80 percent. Since late last year, the prices of bread, oil and wheat based products have doubled while the price of many other basic goods has increased by half. An extremely cold winter caused considerable damage to herd productivity and winter crops. Lack of heating and a shortage of water (frozen) in January and February has meant that most people spent more on food, ate less, and that household food stocks are historically low. Food Security Cluster agencies in the country estimate that 550 000 people are most seriously affected, of whom at least 260 000 need immediate support. A UN Appeal for USD 25 million to help vulnerable populations remains only one quarter funded. Meanwhile, with the onset of spring, the population faces, further hardship related to avalanches, mudslides and flooding.

Latin America and the Caribbean

Central America and the Caribbean

Harvesting of the 2008 main winter **wheat** crop is about to start in **Mexico**, virtually the sole producer in the subregion. Early official forecasts point to a good production of about 3.4 million tonnes, similar to last year's harvest. The increase reflects and expansion of planted area and adequate water availability in the main reservoirs, especially in the northwestern irrigated districts of Sonora and Baja California states during the growing season. Planting of the 2008 main season **coarse grains** and **paddy** crops is expected to start at the beginning of May with the arrival of first seasonal precipitation in Mexico and other Central American and Caribbean countries. Aggregate plantings in the subregion are tentatively forecast at a record 14.3 million hectares, including 10.4 million hectares of maize, 2 million hectares of sorghum and 674 000 hectares of paddy. Assuming average yields, the 2008 aggregate cereal output is tentatively forecast to reach a record level, slightly above 42 million tonnes. In **Mexico**, despite excellent maize production in 2006 and 2007, commercial imports in marketing year 2007/08 (July/June)



Note: Comments refer to situation as of April.

are expected to be a record 9.5 million tonnes, some 600 000 tonnes more than the already high volume of the previous year. The increase is essentially due to the implementation of the last phase of market liberalization under the NAFTA in January, that allows duty-free imports of maize from Canada and the United States, and to the partial substitution of more expensive sorghum imports with cheaper broken maize. In **Cuba**, harvesting of sugar cane, the main agricultural export, is underway and early estimates point to a national output of raw sugar of 1.6 million tonnes, which positively reverts the trend of the last 15 years when production declined from 8 million tonnes in 1990 to only 1.2 million tonnes in 2007.

South America

Harvesting of the 2008 main season **coarse grain** crops is underway. Preliminary estimates set aggregate production at about 95 million tonnes, a new record, some 2 percent above last year's output and almost 20 percent above the average of the past five years. This is mostly due to an increase in area planted in Argentina and Brazil, the main producing countries, in response to high international prices. In **Argentina**, harvesting of maize started in February and production is estimated at 20 million tonnes, above average, but lower than the 2007 record level. An increase of about 10 percent in plantings, which earlier in the year pointed to a larger output, has been more than offset by reduced yields in key growing areas of Buenos Aires, Córdoba and La Pampa departments because of adverse weather. In **Brazil**, harvesting of maize is also underway and, despite some irregular precipitation in western Bahia, the crop is reported to be in generally good condition. If planting intentions for the second season (safrinha) maize crop are confirmed, the 2008 aggregate maize area is expected to be well above 14 million hectares and early forecasts point to a record production of 55.6 million tonnes. In **Chile**, a state of agricultural emergency has been declared in about 40 percent of country's municipalities due to the worst drought in the last 50 years. Major affected crops are vegetables, avocados and citrus fruits, while damage to pastureland is severely reducing milk production. Harvesting of the 2008 main **rice** crop is underway, and the subregion's aggregate production this year is tentatively forecast at an average level of 22 million tonnes.

Adverse weather conditions associated with the "La Niña" meteorological phenomenon have affected food and cash crops in several Andean countries. In **Bolivia**, intense rainfall since the end of 2007 has caused severe floods in eastern and northern departments. Losses of the main summer season crops, normally harvested from mid-March to May, are provisionally estimated at about 600 000 hectares of food (paddy and maize) and cash crops (mainly soybean). At the same time, important losses of livestock and reduction in pasture due to excess water are reported in the Department of Beni. In **Ecuador**, as of 20 February, the whole country has been declared in a state of emergency due to floods. Damage to housing, infrastructure and agriculture (paddy, cocoa, bananas and vegetables) is reported, especially in the departments of Manabí, Guayas, Los Ríos and El Oro on the coast as well as in Azuay and Cañar in the highlands. In **Peru**, torrential rains have partially or totally damaged some 45 000 hectares of crops (mainly coffee, plantains, white maize, paddy and potatoes) in the departments of Tumbes, Piura and Lambayeque. However, the abundant precipitations have generally improved soil moisture with positive effects on plantings of 2008 winter crops, especially wheat, that are expected to start in April.

Table 10. Latin America and Caribbean cereal production (*million tonnes*)

	Wheat			Coarse grains			Rice (paddy)			Total cereals		
	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast
Latin America & Caribbean	**23.5**	**25.7**	**24.2**	**107.5**	**128.5**	**131.6**	**24.9**	**24.4**	**25.7**	**156.0**	**178.6**	**181.4**
Central America & Caribbean	**3.3**	**3.4**	**3.4**	**32.1**	**35.0**	**36.5**	**2.5**	**2.4**	**2.5**	**37.8**	**40.9**	**42.3**
Mexico	3.2	3.4	3.4	28.3	30.6	32.0	0.3	0.3	0.3	31.9	34.3	35.7
South America	**20.3**	**22.3**	**20.8**	**75.4**	**93.5**	**95.1**	**22.4**	**22.0**	**23.2**	**118.2**	**137.8**	**139.1**
Argentina	14.5	15.4	14.0	18.3	26.5	24.4	1.2	1.1	1.2	34.1	43.0	39.6
Brazil	2.5	4.0	3.8	45.0	53.6	57.9	11.7	11.3	12.1	59.2	68.9	73.8
Colombia	0.0	0.0	0.0	1.7	1.8	1.8	2.3	2.5	2.6	4.1	4.3	4.4

Note: Totals computed from unrounded data.

North America, Europe and Oceania

North America

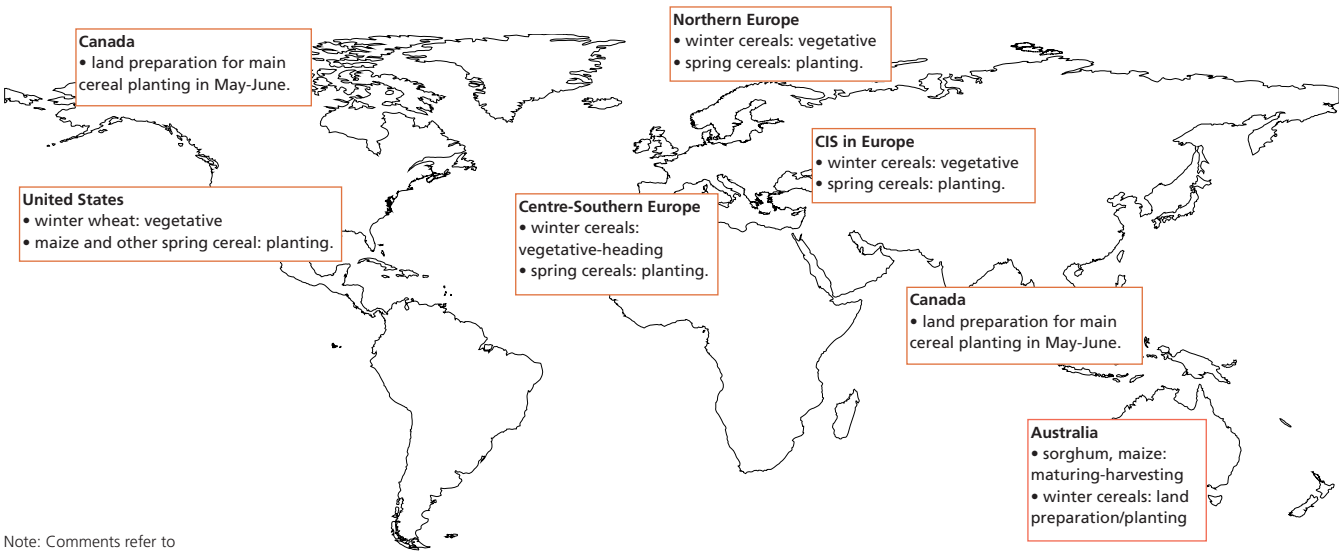
In the **United States**, the official Prospective Plantings Report issued at the end of March estimates winter wheat plantings at about 18.9 million hectares, some 4 percent up from the previous year's level, and slightly higher than earlier expectations following larger than expected areas sown to Soft Red Winter wheat. The winter wheat crop is reported to be mostly in satisfactory condition, with good moisture having been received throughout the Great Plains during the winter. The main exception has been western parts of the main winter wheat producing states in the central and southern Plains, which remained predominantly dry in the past few weeks; this may translate to higher abandonment rates than earlier expected.

For spring wheat, planting of which has just started, the area is seen to increase to nearly 6.9 million hectares, almost 10 percent up from the previous year's level. This strong increase reflects the continuing high wheat prices that point to good returns for this crop combined with favourable conditions for planting, in particular adequate planting moisture. This is important for good emergence and establishment, and can have an important impact on final yields.

Based on official planting indications, and assuming normal weather for the remainder of the season, FAO currently forecasts the United States' total wheat production in 2008 at 60 million tonnes, almost 7 percent up from last year, and the largest crop since 2003.

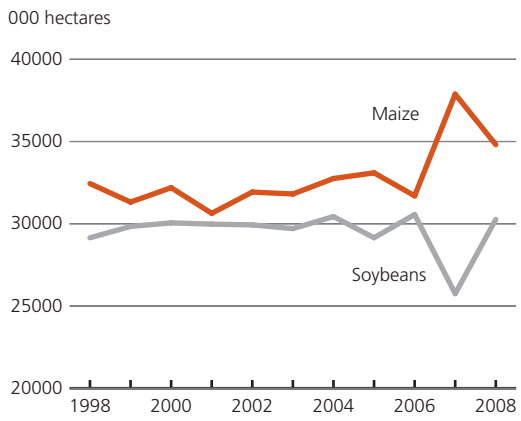
Inclement weather in late March hampered early maize planting in parts of the Midwest but the precipitation will have been beneficial in raising soil moisture reserves for the coming growing season. The bulk of the maize planting is due to get underway in April. According to the Prospective Plantings Report, farmers are expected to reduce the area of maize to about 35 million hectares, after last year's exceptionally high level of almost 38 million hectares, which was the largest area since 1944. However, although down significantly from last year, this remains a very high level, reflecting the continuing strong price outlook for maize. The area coming out of maize is expected to be shifted back to other crops because of rotational requirements and the prospect of equally good, if not better, returns from some alternative crops. The main alternative in most cases will be soybeans, production of which was sharply reduced last year in favour of maize, but for which returns are expected to be more attractive this year, given higher prices and less input costs compared to maize (see Figure 11). This is expected to be particularly the case in eastern parts of the Corn Belt where soils are less suited to maize and obtaining high maize yields needs perfect weather as well as high inputs. In these parts soybeans are a surer option. Based on these early planting indications, and assuming normal weather for the remainder of the season, FAO forecasts the United States maize output at 300 million tonnes in 2008, 10 percent down from last year's record output, but still one of the largest crops on record.

In **Canada**, planting of the spring grain crops is due to start in April. Regarding wheat, the major crop, early indications point to an 11 percent increase in area compared to the previous year's reduced level, when land was diverted out of wheat to oilseeds. Current high wheat prices are expected to be a strong incentive to recovery in the wheat area. However, rather than reversing last year's shift, a further expansion on 2007's already relatively high oilseeds area is also expected because of attractive returns in this sector. Although some of the gain in wheat and oilseeds area will come from minor coarse grain crops such as maize and



Note: Comments refer to situation as of April.

Figure 11. U.S. maize and soybean planted areas (1998-2008)



oats, the bulk is expected to come from summer fallow that was not in production last year. Thus, the total area under cultivation to grains and oilseeds is forecast to increase in 2008. Based on the expected plantings and assuming a normal planted to harvested ratio and about-average yields, the 2008 wheat crop is forecast to reach some 25 million tonnes, about 25 percent up from 2007 and similar to the good crop of 2006. This forecast assumes normal weather during the growing season. As of late March it was reported that soil moisture levels in the country's southern and central grain belt were particularly low. These areas would benefit from more snow or rain before planting, otherwise well-timed rains during the growing season will be all the more critical.

Europe

Cereal production in the region is on course to recover sharply from last year's below-average crop, which had suffered from unfavourable weather in several parts. While assuming a return to normal yields throughout the region, the expected increase in output also reflects a significant expansion of area in response to the prospect of continuing high cereal prices for this year's crops. At this early stage, the aggregate regional cereal output in 2008 is tentatively forecast at 439 million tonnes, almost 13 percent up from the previous year.

In the **EU**, following the suspension of the compulsory 10 percent land set-aside requirement for the 2007/08 cropping year, the total cereal area is forecast to expand by about 6 percent. Most of this expansion would be in wheat, the bulk of which is winter wheat and has already been in the ground since last autumn. However, significant expansions of areas under barley and maize are also expected, as well as small increases for most other cereals. Regarding the condition of the winter crops already in the ground and early prospects for 2008 yields, the outlook is favourable so far. The winter has been characterized by generally mild conditions, especially in some northern parts, limiting the likelihood of winterkill in areas that are normally the most prone. Soil moisture conditions are reported to be mostly adequate so far. Parts of France and Spain that had been unfavourably dry benefited from heavy rainfalls in late March, raising moisture levels for developing wheat and improving prospects for the spring planting season.

Based on these early area indications, which are quite firm with regard to winter wheat but less sure for the spring crops, the bulk of which are still to be sown, and assuming normal weather for the remainder of the season, the aggregate cereal output of the group in 2008 is tentatively forecast to reach 294 million tonnes, some 13 percent up from the previous year. Table 12 shows the current wheat and coarse grains output forecasts for the major producers.

Elsewhere, in the **Balkan Peninsula**, prospects for the 2008 cereal crops also remain generally favourable and point to a recovery in output after drought affected many areas last year.

In the **European CIS**, the early outlook for the 2008 cereal harvest is favourable. Winter grains have over-wintered well and spring grain planting is underway. The area sown to winter grains (mainly wheat and rye) has increased and indications are that the aggregate area to be sown to spring crops will also increase. Wheat accounts for the bulk of the increase, with farmers in most countries expanding plantings in response to international wheat prices.

Table 12. EU[1] wheat and coarse grains production (*million tonnes*)

	Wheat			Coarse grains		
	2006	**2007** estim.	**2008** f'cast	**2006**	**2007** estim.	**2008** f'cast
France	35.4	32.8	36.0	26.3	26.1	26.8
Germany	22.4	20.9	23.9	21.0	19.7	23.0
Hungary	4.4	4.0	4.5	10.1	5.7	8.8
Italy	7.2	7.3	8.5	11.6	11.7	12.0
Poland	7.1	8.3	8.4	14.7	18.7	19.0
Romania	5.5	3.0	7.0	10.2	4.6	11.3
Spain	5.6	6.4	6.5	13.0	16.9	17.2
United Kingdom	14.7	13.1	15.0	6.1	5.9	6.6
Others	24.3	24.9	27.0	26.6	27.5	30.0
Total	**126.5**	**120.8**	**136.8**	**139.6**	**136.8**	**154.8**

[1] For 2006 refers to EU25 plus Romania and Bulgaria; for 2007 and 2008 refers to EU27.
Note: Totals computed from unrounded data.

In the **Russian Federation**, the aggregate area to be sown to grains in 2007/08 is expected to exceed 46 million hectares, compared to 44.4 million hectares for the 2007 harvest. The winter grain area rose by almost 10 percent to 15.6 million hectares, and the spring grain area is forecast at 31 million hectares. The area sown to wheat is forecast to reach 26 million hectares compared to 24.4 million hectares last year. The maize and spring barley areas could also increase at the expense of sugar beet. The Government has recently set export tariffs on mineral fertilizers to stimulate increased domestic use. At this early stage, and provided the weather remains favourable until harvests, the 2008 cereal output is tentatively forecast at around 82 million tonnes, including 50 million tonnes of wheat, 31.6 million tonnes of coarse grains, and the balance in rice.

Exports of grain from the Russian Federation from July 2007 to February 2008 have reached almost 13 million tonnes and are unlikely to increase significantly before the end of the current season in view of the steep export tariffs imposed on wheat and barley. If the 2008 harvest forecast materializes, these tariffs are likely to be removed and the country will remain a major exporter of cereals.

In **Ukraine**, over 90 percent of the area sown to winter crops (8 million hectares of which 7.5 is in winter grains) is reported to be in good to satisfactory condition. Early estimates point to an increase in the aggregate area of grains for the 2008 harvest of 15 million hectares, (compared to 13.8 million in 2007) mainly due to an increase in the areas sown to wheat and barley. After last year's severe drought, winter precipitation has provided ample soil moisture for spring growth in most areas, with the exception of the drier south and southeast. Provided weather conditions remain favourable during the remainder of the growing season, the 2008 output of cereals could be about 37 million tonnes, almost 10 million tonnes more than the reduced crop of 2007. Exports from the country so far in the current 2007/08 marketing year have not yet exceeded 500 000 tonnes so far, owing to previous export quotas and licensing restrictions. The Government has extended the operation of the export quota and licensing system until 1 July and has raised the export quotas to 1.8 million tonnes of maize, (from 600 000 tonnes), to 900 000 tonnes of barley (from 4 000 tonnes) and marginally increased the wheat quota to 203 000 tonnes.

In **Moldova**, the area sown to winter grains is reported to have increased to some 400 000 hectares. Spring sowing is underway. Preliminary indications are that the 2008 harvest will recover to about 2 million tonnes from the drought-reduced level of 800 000 tonnes in 2007. In **Belarus**, the aggregate area sown to cereal crops is thought to be similar to last year's but a special effort is being made to increase the areas and output of grain maize. Assuming normal weather, cereal production in 2008 is tentatively forecast at 6.5 million tonnes, less than the record 7 million tonnes harvested in 2007.

Oceania

In **Australia**, harvesting of the minor summer coarse grain crop (mostly sorghum) began in March and a bumper output is expected. Average to above-average rainfall since October 2007 in northern New South Wales and southern Queensland encouraged large sorghum sowings and benefited crop development leading to good yield prospects. Output of sorghum is forecast at nearly

Table 11. North America, Europe and Oceania cereal production (*million tonnes*)

	Wheat			Coarse grains			Rice (paddy)			Total cereals		
	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast
North America	**74.6**	**76.3**	**85.2**	**303.7**	**379.5**	**344.2**	**8.8**	**9.0**	**8.7**	**387.1**	**464.8**	**438.0**
Canada	25.3	20.1	25.2	23.3	28.0	26.4	0.0	0.0	0.0	48.6	48.0	51.6
United States	49.3	56.2	60.0	280.4	351.5	317.8	8.8	9.0	8.7	338.5	416.7	386.5
Europe	**191.9**	**189.5**	**211.3**	**210.3**	**196.8**	**224.2**	**3.5**	**3.6**	**3.6**	**405.7**	**389.8**	**439.2**
EU [1]	117.7	120.8	136.8	127.2	136.8	154.8	2.6	2.7	2.8	247.6	260.3	294.4
Romania [2]	5.5	0.0	0.0	10.2	0.0	0.0	0.0	0.0	0.0	15.8	0.0	0.0
Serbia	1.9	1.5	1.8	6.9	4.4	6.0	0.0	0.0	0.0	8.8	5.9	7.8
CIS in Europe	**60.6**	**64.8**	**70.1**	**57.5**	**50.3**	**57.4**	**0.8**	**0.8**	**0.8**	**118.9**	**115.9**	**128.3**
Russian Federation	45.1	49.4	50.0	31.2	30.4	31.6	0.7	0.7	0.7	76.9	80.5	82.3
Ukraine	13.8	13.7	18.4	20.1	13.8	18.9	0.1	0.1	0.1	34.0	27.6	37.4
Oceania	**11.0**	**13.4**	**26.3**	**8.1**	**9.4**	**14.5**	**1.1**	**0.2**	**0.0**	**20.2**	**23.0**	**40.8**
Australia	10.6	13.1	26.0	7.6	8.9	13.9	1.0	0.2	0.0	19.3	22.1	39.9

[1] Eu-25 in 2006; EU-27 in 2007 and 2008.
[2] In 2007 and 2008 included in EU-27.
Note: Totals computed from unrounded data.

2.5 million tonnes, almost 80 percent up from the previous year. By contrast, however, due a to severe lack of precipitation in rice producing areas, the summer rice crop has been devastated and output is forecast at just 18 000 tonnes, compared to 161 000 in the previous year.

Early indications for the 2008 winter cereal crops, to be planted from April on, point to possible record sowings as producers are expected to try and increase production to take advantage of high global prices, especially after having lost revenue in 2007 because of drought. However, although producers' intentions may point to large plantings, the final outcome will depend on rainfall in the main growing areas from April through July. Eastern Australia has already benefited from good levels of precipitation throughout the summer, particularly in February, which has helped to establish good subsoil moisture reserves pre-planting, but more rain will be needed at planting time and during crop development. Other main grain producing areas are still awaiting significant planting rains. At this stage, based on the current indications of producers' planting intentions and assuming normal weather for the season, the country's wheat output in 2008 is forecast to recover from last year's drought-reduced level, and reach almost 26 million tonnes, close to the record crop of 2003. A significant recovery in barley is also expected with output forecast to recover to about 9 million tonnes.

Statistical appendix

Table A1. Global cereal supply and demand indicators

	Average 2000/01 - 2004/05	2003/04	2004/05	2005/06	2006/07	2007/08
	(. . . . . percentage . . . . .)					
1. Ratio of world stocks to utilization						
Wheat	33.8	26.2	28.8	28.9	25.6	22.9
Coarse grains	19.0	15.1	19.1	18.3	15.2	14.5
Rice	30.1	25.5	23.7	24.5	24.0	23.4
Total cereals	25.9	20.6	23.0	22.7	20.0	18.8
2. Ratio of major grain exporters' supplies to normal market requirements	121	117	137	133	115	117
3. Ratio of major exporters' stocks to their total disappearance						
Wheat	20.4	17.0	21.8	22.2	14.8	10.6
Coarse grains	15.1	10.8	18.7	17.9	12.6	11.7
Rice	19.2	15.9	13.2	15.8	15.9	16.0
Total cereals	18.2	14.5	17.9	18.6	14.4	12.8

	Annual trend growth rate 1997-2006	Change from previous year 2003	2004	2005	2006	2007
	(. . . . . percentage . . . . .)					
4. Changes in world cereal production	0.6	3.3	9.3	-1.0	-2.0	4.7
5. Changes in cereal production in the LIFDCs	1.4	2.7	3.4	5.2	3.3	0.9
6. Changes in cereal production in LIFDCs less China Mainland and India	3.5	7.9	-0.2	7.0	4.1	-1.5

	Average 2000/01 - 2004/05	Change from previous year 2003/04	2004/05	2005/06	2006/07	2007/08*
	(. . . . . percentage . . . . .)					
7. Selected cereal price indices:						
Wheat (July/June)	110.8	-1.1	-1.0	5.2	25.4	91.4
Maize (July/June)	100.2	7.1	-15.2	6.4	44.6	22.9
Rice (Jan./Dec.)	87.7	24.9	5.4	8.9	17.0	46.2

Notes:
Utilization is defined as the sum of food use, feed and other uses.
Cereals refer to wheat, coarse grains and rice; **Grains** refer to wheat and coarse grains.
Major Grain Exporters are Argentina, Australia, Canada, the EU, and the United States; Major Rice Exporters are India, Pakistan, Thailand, the United States, and Viet Nam.
Normal Market Requirements for major grain exporters are defined as the average of domestic utilization plus exports in the three preceding seasons.
Disappearance is defined as domestic utilization plus exports for any given season.
Price indices: the **wheat** price index has been constructed based on the IGC wheat price index, rebased to July/June 1997/98-1999/00 = 100; for **maize**, the U.S. maize No. 2 Yellow (delivered U.S. Gulf ports) with base July/June, 1997/98-1999/00 = 100; for **rice**, the FAO Rice Price Index, 1998-2000=100, is based on 16 rice export quotations. Rice index refers to the second year shown.
*For **wheat** and **coarse grains**, July/March; for **rice**, January/March

Table A2. World cereal stocks[1] (*million tonnes*)

	2003	2004	2005	2006	2007 estimate	2008 forecast
TOTAL CEREALS	**486.3**	**417.3**	**469.3**	**469.8**	**425.6**	**405.1**
Wheat	**204.4**	**162.2**	**178.6**	**179.5**	**159.1**	**144.4**
held by:						
- main exporters [2]	39.1	38.6	55.1	56.3	36.5	26.1
- others	165.3	123.6	123.5	123.2	122.5	118.3
Coarse grains	**162.9**	**149.8**	**191.2**	**185.6**	**162.1**	**157.1**
held by:						
- main exporters[2]	55.3	48.5	92.7	90.7	62.5	66.9
- others	107.6	101.3	98.5	95.0	99.6	90.2
Rice (milled basis)	**119.0**	**105.3**	**99.5**	**104.7**	**104.5**	**103.5**
held by:						
- main exporters[2]	21.7	22.5	18.9	22.9	23.7	24.1
- others	97.3	82.8	80.6	81.8	80.8	79.4
Developed countries	**145.3**	**123.2**	**188.5**	**189.8**	**135.6**	**120.5**
Australia	5.2	8.8	10.0	13.6	6.0	5.7
European Union [3]	33.7	21.5	47.6	45.1	33.0	30.0
Canada	8.9	10.3	14.5	16.2	10.5	8.5
Hungary [4]	1.4	0.8	-	-	-	-
Japan	5.4	4.9	4.7	4.8	4.4	4.3
Poland [4]	2.9	2.4	-	-	-	-
Romania [5]	2.0	1.2	5.0	5.6	3.8	-
Russian Federation	12.5	7.3	9.1	9.3	8.5	8.6
South Africa	3.8	3.5	4.1	4.1	2.7	1.5
Ukraine	5.1	2.8	4.2	4.8	4.3	4.2
United States	45.1	44.4	74.7	71.7	49.9	48.1
Developing countries	**341.0**	**294.2**	**280.8**	**280.0**	**290.0**	**284.5**
Asia	**307.5**	**253.5**	**236.7**	**237.2**	**243.3**	**244.8**
China	209.4	163.3	152.8	149.0	153.2	156.4
India	39.8	32.9	26.7	25.8	29.4	33.2
Indonesia	5.7	6.0	5.7	5.1	5.8	6.4
Iran, Islamic Republic of	4.4	3.5	3.2	3.6	3.6	2.8
Korea, Republic of	2.8	2.9	2.5	2.8	3.0	2.3
Pakistan	2.9	1.9	2.0	3.2	3.3	3.9
Philippines	2.2	1.9	2.2	2.7	2.6	3.0
Syrian Arab Republic	4.1	4.2	4.5	4.6	3.1	2.3
Turkey	8.0	7.2	6.5	5.5	6.4	3.8
Africa	**19.1**	**20.8**	**23.3**	**26.3**	**31.7**	**25.0**
Algeria	2.5	2.6	3.6	4.4	4.7	4.6
Egypt	3.2	2.7	3.1	4.3	4.1	3.1
Ethiopia	0.7	0.1	0.1	0.8	1.8	1.8
Morocco	1.8	3.0	4.9	2.7	4.0	1.9
Nigeria	1.9	1.6	1.3	1.4	2.1	0.9
Tunisia	0.6	1.0	1.2	1.4	1.4	1.3
Central America	**5.6**	**5.8**	**6.3**	**4.6**	**4.5**	**5.0**
Mexico	3.7	3.9	4.6	2.8	2.6	3.3
South America	**8.5**	**13.8**	**14.2**	**11.6**	**10.3**	**9.5**
Argentina	3.3	3.8	3.2	2.6	1.6	2.2
Brazil	1.6	5.8	6.3	4.1	3.1	2.2

[1] Stock data are based on an aggregate of carryovers at the end of national crop years and do not represent world stock levels at any point in time.
[2] The major **wheat** and **coarse grains** exporters are Argentina, Australia, Canada, the EU and the United States. The major **rice** exporters are India, Pakistan, Thailand, the United States and Viet Nam.
[3] Up to 2004 15 member countries, from 2005 to 2007 25 member countries, in 2008 27 member countries.
[4] From 2005 included in the EU.
[5] In 2008 included in the EU.
Note: Based on official and unofficial estimates. Totals computed from unrounded data.

Table A3. Selected international prices of wheat and coarse grains (*USD/tonne)*

Period	Wheat			Maize		Sorghum
	US No.2 Hard Red Winter Ord. Prot.[1]	US Soft Red Winter No.2[2]	Argentina Trigo Pan[3]	US No.2 Yellow[2]	Argentina[3]	US No.2 Yellow[2]
Annual (July/June)						
2003/04	161	149	154	115	109	118
2004/05	154	138	123	97	90	99
2005/06	175	138	138	104	101	108
2006/07	212	176	188	150	145	155
Monthly						
2007 – March	209	168	187	170	160	171
2007 – April	206	171	209	150	144	145
2007 – May	203	180	219	159	147	155
2007 – June	231	205	239	165	156	166
2007 – July	250	223	249	146	141	157
2007 – August	277	254	273	152	157	171
2007 – September	342	323	325	158	169	177
2007 – October	352	323	321	163	180	172
2007 – November	332	307	290	171	179	171
2007 – December	381	345	310	178	171	192
2008 – January	381	343	330	206	199	225
2008 – February	449	403	365	220	206	222
2008 – March	481	397	395	234	216	233

[1] Delivered United States f.o.b Gulf.
[2] Delivered United States Gulf.
[3] Up River f.o.b.
SOURCES: International Grain Council and USDA.

Table A4a. Cereal import requirements of Low-Income Food-Deficit Countries[1] , 2007/08 or 2008 estimates (*thousand tonnes*)

		2006/07 or 2007 Actual imports				2007/08 or 2008 Import position[2]		
	Marketing year	Commercial purchases	Food aid	Total commercial and aid	Total import requirements (excl. re-exports)	Total commercial and aid	Food aid allocated, committed or shipped	Commercial purchases
AFRICA		**33 772.2**	**2 240.1**	**36 012.3**	**38 524.9**	**19 823.8**	**1 324.1**	**18 499.7**
North Africa		**15 743.5**	**24.5**	**15 768.0**	**18 351.0**	**13 804.9**	**0.0**	**13 804.9**
Egypt	July/June	11 895.5	24.5	11 920.0	12 330.0	9 200.5	0.0	9 200.5
Morocco	July/June	3 848.0	0.0	3 848.0	6 021.0	4 604.4	0.0	4 604.4
Eastern Africa		**4 039.5**	**1 317.9**	**5 357.4**	**4 917.0**	**1 924.5**	**648.5**	**1 276.0**
Burundi	Jan./Dec.	80.9	45.1	126.0	139.0	3.2	3.2	0.0
Comoros	Jan./Dec.	41.7	0.0	41.7	41.0	25.0	0.0	25.0
Djibouti	Jan./Dec.	67.7	5.8	73.5	72.0	2.3	0.0	2.3
Eritrea	Jan./Dec.	216.0	0.0	216.0	326.0	7.0	7.0	0.0
Ethiopia	Jan./Dec.	27.2	472.2	499.4	258.0	95.0	94.5	0.5
Kenya	Oct./Sept.	999.9	180.4	1 180.3	1 022.0	392.3	130.3	262.0
Rwanda	Jan./Dec.	176.0	16.0	192.0	206.0	8.7	8.7	0.0
Somalia	Aug./July	323.2	116.8	440.0	480.0	84.1	81.6	2.5
Sudan	Nov./Oct.	1 248.1	351.8	1 599.9	1 442.0	650.2	231.4	418.8
Uganda	Jan./Dec.	165.5	89.3	254.8	181.0	51.7	50.3	1.4
United Rep.of Tanzania	June/May	693.3	40.5	733.8	750.0	605.0	41.5	563.5
Southern Africa		**2 503.9**	**363.7**	**2 867.6**	**3 413.0**	**2 779.9**	**481.8**	**2 298.1**
Angola	April/March	649.3	20.7	670.0	698.0	479.6	5.8	473.8
Lesotho	April/March	181.3	10.1	191.4	219.0	209.2	19.5	189.7
Madagascar	April/March	227.4	34.3	261.7	310.0	285.7	60.0	225.7
Malawi	April/March	161.4	63.0	224.4	176.0	168.2	56.7	111.5
Mozambique	April/March	779.5	103.5	883.0	771.0	600.1	58.8	541.3
Swaziland	May/April	122.2	5.8	128.0	138.0	119.8	12.1	107.7
Zambia	May/April	55.8	28.1	83.9	69.0	53.7	18.9	34.8
Zimbabwe	April/March	327.0	98.2	425.2	1 032.0	863.6	250.0	613.6
Western Africa		**9 912.9**	**432.7**	**10 345.6**	**10 142.4**	**1 203.6**	**153.8**	**1 049.8**
Coastal Countries		***7 589.6***	***132.0***	***7 721.6***	***7 768.0***	***733.7***	***48.1***	***685.6***
Benin	Jan./Dec.	102.5	0.3	102.8	97.0	50.0	0.0	50.0
Côte d'Ivoire	Jan./Dec.	1 151.1	17.4	1 168.5	1 240.0	289.4	1.3	288.1
Ghana	Jan./Dec.	686.5	35.0	721.5	735.0	86.3	13.8	72.5
Guinea	Jan./Dec.	510.4	12.1	522.5	502.0	37.2	4.4	32.8
Liberia	Jan./Dec.	205.1	37.6	242.7	240.0	27.6	27.6	0.0
Nigeria	Jan./Dec.	4 580.0	0.0	4 580.0	4 580.0	208.8	0.0	208.8
Sierra Leone	Jan./Dec.	270.1	28.9	299.0	289.0	13.4	0.0	13.4
Togo	Jan./Dec.	83.9	0.7	84.6	85.0	21.0	1.0	20.0
Sahelian Countries		***2 323.3***	***300.7***	***2 624.0***	***2 374.4***	***469.9***	***105.7***	***364.2***
Burkina faso	Nov./Oct.	248.4	25.9	274.3	279.0	12.2	7.5	4.7
Cape Verde	Nov./Oct.	65.1	8.7	73.8	73.6	6.4	3.0	3.4
Chad	Nov./Oct.	65.5	72.0	137.5	126.2	51.5	47.7	3.8
Gambia	Nov./Oct.	92.8	9.6	102.4	100.5	32.6	1.2	31.4
Guinea-Bissau	Nov./Oct.	95.4	8.4	103.8	86.9	3.7	3.7	0.0
Mali	Nov./Oct.	326.9	46.5	373.4	308.7	14.9	4.1	10.8
Mauritania	Nov./Oct.	318.4	33.2	351.6	296.0	76.2	14.0	62.2
Niger	Nov./Oct.	204.1	83.1	287.2	236.7	29.0	19.5	9.5
Senegal	Nov./Oct.	906.7	13.3	920.0	866.8	243.4	5.0	238.4
Central Africa		**1 572.4**	**101.3**	**1 673.7**	**1 701.5**	**110.9**	**40.0**	**70.9**
Cameroon	Jan./Dec.	628.4	1.6	630.0	630.0	51.5	0.5	51.0
Cent.Afr.Rep.	Jan./Dec.	42.6	19.7	62.3	43.5	8.9	8.9	0.0
Congo	Jan./Dec.	310.9	6.1	317.0	317.0	14.2	1.1	13.1
Congo, Dem. Rep.	Jan./Dec.	554.6	72.4	627.0	675.0	33.0	29.5	3.5
Equatorial Guinea	Jan./Dec.	24.0	0.0	24.0	24.0	0.0	0.0	0.0
Sao Tome and Principe	Jan./Dec.	11.9	1.5	13.4	12.0	3.3	0.0	3.3

Table A4b. Cereal import requirements of Low-Income Food-Deficit Countries[1] , 2007/08 or 2008 estimates (*thousand tonnes*)

		2006/07 or 2007 Actual imports			2007/08 or 2008			
						Import position[2]		
	Marketing year	Commercial purchases	Food aid	Total commercial and aid	Total import requirements (excl. re-exports)	Total commercial and aid	Food aid allocated, committed or shipped	Commercial purchases
ASIA		**40 977.4**	**1 550.0**	**42 527.4**	**39 862.4**	**23 659.3**	**852.1**	**22 807.2**
CIS in Asia		**3 253.0**	**452.0**	**3 705.0**	**3 774.0**	**2 765.3**	**31.1**	**2 734.2**
Armenia	July/June	216.0	86.0	302.0	343.0	213.3	4.2	209.1
Azerbaijan	July/June	1 265.0	119.0	1 384.0	1 052.0	1 039.0	2.8	1 036.2
Georgia	July/June	890.0	95.0	985.0	862.0	589.2	6.9	582.3
Kyrgyzstan	July/June	263.0	58.0	321.0	310.0	275.7	0.0	275.7
Tajikistan	July/June	277.0	94.0	371.0	506.0	288.8	17.2	271.6
Turkmenistan	July/June	4.0	0.0	4.0	271.0	253.6	0.0	253.6
Uzbekistan	July/June	338.0	0.0	338.0	430.0	105.7	0.0	105.7
Far East		**27 787.4**	**897.0**	**28 684.4**	**24 943.4**	**15 154.6**	**690.5**	**14 464.1**
Bangladesh	July/June	2 835.5	172.4	3 007.9	3 750.0	2 332.2	368.2	1 964.0
Bhutan	July/June	70.6	0.4	71.0	71.0	0.0	0.0	0.0
Cambodia	Jan./Dec.	31.3	8.7	40.0	40.0	1.5	1.5	0.0
China (Mainland)	July/June	2 366.0	0.0	2 366.0	2 377.0	791.8	0.0	791.8
D.P.R. of Korea	Nov./Oct.	254.8	401.4	656.2	1 660.0	332.1	231.4	100.7
India	April/March	6 730.0	35.3	6 765.3	1 900.0	1 804.9	30.7	1 774.2
Indonesia	April/March	8 159.9	32.9	8 192.8	7 242.0	4 984.4	17.2	4 967.2
Lao, P.D.R.	Jan./Dec.	16.4	11.4	27.8	27.4	1.5	1.5	0.0
Mongolia	Oct./Sept.	216.4	42.6	259.0	279.0	85.7	5.0	80.7
Nepal	July/June	232.4	7.6	240.0	160.0	10.5	10.5	0.0
Pakistan	May/April	357.7	65.9	423.6	1 521.0	1 117.6	2.1	1 115.5
Philippines	July/June	5 271.8	83.0	5 354.8	4 676.0	3 576.0	14.0	3 562.0
Sri Lanka	Jan./Dec.	1 184.6	35.4	1 220.0	1 180.0	110.8	8.4	102.4
Timor-Leste	July/June	60.0	0.0	60.0	60.0	5.6	0.0	5.6
Near East		**9 937.0**	**201.0**	**10 138.0**	**11 145.0**	**5 739.4**	**130.5**	**5 608.9**
Afghanistan	July/June	631.4	151.1	782.5	690.0	421.9	116.1	305.8
Iraq	July/June	4 022.6	7.4	4 030.0	4 230.0	3 855.6	6.5	3 849.1
Syrian Arab Republic	July/June	2 441.7	8.3	2 450.0	2 950.0	1 353.9	4.3	1 349.6
Yemen	Jan./Dec.	2 841.3	34.2	2 875.5	3 275.0	108.0	3.6	104.4
CENTRAL AMERICA		**1 497.1**	**155.5**	**1 652.6**	**1 533.0**	**864.6**	**145.2**	**719.4**
Haiti	July/June	487.5	95.5	583.0	593.0	234.0	57.0	177.0
Honduras	July/June	671.7	33.1	704.8	580.0	379.5	41.2	338.3
Nicaragua	July/June	337.9	26.9	364.8	360.0	251.1	47.0	204.1
SOUTH AMERICA		**921.2**	**30.0**	**951.2**	**1 010.0**	**749.2**	**0.0**	**749.2**
Ecuador	July/June	921.2	30.0	951.2	1 010.0	749.2	0.0	749.2
OCEANIA		**415.7**	**0.0**	**415.7**	**415.7**	**87.6**	**0.0**	**87.6**
Kiribati	Jan./Dec.	8.7	0.0	8.7	8.7	0.0	0.0	0.0
Papua New Guinea	Jan./Dec.	358.0	0.0	358.0	358.0	87.6	0.0	87.6
Solomon Islands	Jan./Dec.	29.5	0.0	29.5	29.5	0.0	0.0	0.0
Tonga	Jan./Dec.	6.4	0.0	6.4	6.4	0.0	0.0	0.0
Tuvalu	Jan./Dec.	1.1	0.0	1.1	1.1	0.0	0.0	0.0
Vanuatu	Jan./Dec.	12.0	0.0	12.0	12.0	0.0	0.0	0.0
EUROPE		**1 569.0**	**0.0**	**1 569.0**	**1 070.0**	**389.7**	**0.0**	**389.7**
Albania	July/June	440.0	0.0	440.0	480.0	205.9	0.0	205.9
Belarus	July/June	599.0	0.0	599.0	120.0	6.7	0.0	6.7
Bosnia and Herzegovina	July/June	530.0	0.0	530.0	470.0	177.1	0.0	177.1
TOTAL		**79 152.6**	**3 975.6**	**83 128.2**	**82 416.0**	**45 574.2**	**2 321.4**	**43 252.8**

[1] Includes food deficit countries with per caput income below the level used by the World Bank to determine eligibility for IDA assistance (i.e. USD 1 575 in 2004), which is in accordance with guidelines and criteria agreed to by the CFA should be given priority in the allocation of food aid.
[2] Estimates based on information available as of late March 2008.

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