



Crop Prospects and Food Situation

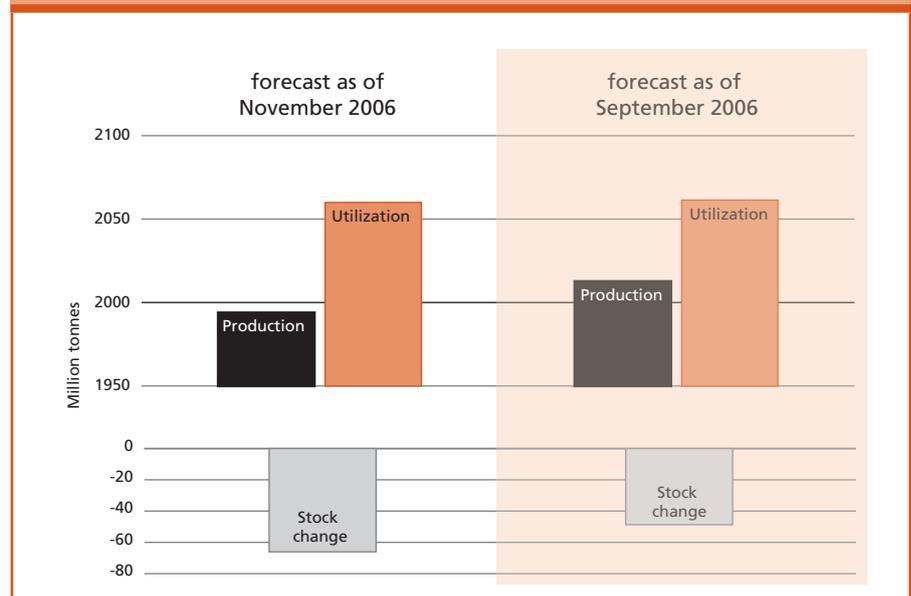
HIGHLIGHTS

- **The global cereal supply and demand situation has further tightened**, with a downward revision of the 2006 world cereal production forecast and a projected increase in cereal utilization in 2006/07. At current forecast levels, the utilization would exceed production by 3.3 percent in 2006/07. World cereal stocks are forecast to decline for the third consecutive year, with those of wheat falling to their lowest level since 1981.
- **Cereal export prices have increased sharply in recent months**, mainly in response to tightening world supplies and by November 2006 were well above their levels of a year earlier. Because of higher prices, the cereal import bill of the Low-Income Food-Deficit Countries (LIFDCs) is forecast to increase by 15 percent in 2006/07.
- **However, higher prices are also encouraging larger plantings of 2007 crops**. Wheat planting has been completed in the main producing regions and early prospects are favourable, with increased areas reported and satisfactory weather conditions so far.
- **Severe floods in the Horn of Africa in the past weeks have adversely affected up to 1.8 million people in Kenya, Ethiopia and, in particular, Somalia**. Hundreds of thousands of people are urgently in need of humanitarian assistance. Despite the flooding, overall prospects for the 2006 cereal crops, now being harvested, in Eastern Africa remain favourable.
- **In the developing countries, the 2006 cereal production has increased, or is projected to increase in almost all regions of the world, in particular Africa and Asia**. As a result of the improved supplies in Africa, per caput cereal consumption is expected to rise in the 2006/07 marketing year.
- **Following bumper harvests and ample cereal supplies in countries of Western and Southern Africa**, and in order to support domestic prices, donors are encouraged to undertake local purchases and triangular transactions for their on-going food aid distribution programmes.

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The state of the global cereal balance in 2006/07



Food emergencies update

In **Western Africa**, in spite of a generally satisfactory food supply situation, localized food insecurity is reported in several countries including **Guinea-Bissau, Mauritania** and **Niger**, mostly due to lack of access problems. Emergency food assistance continues to be needed in **Chad, Côte d'Ivoire, Guinea, Liberia** and **Sierra Leone** for large numbers of IDPs and refugees as a result of civil conflicts. In **Central Africa**, in the **Central African Republic**, the majority of the population face food insecurity following disruption in production and marketing activities as a result of civil conflict. In **Eastern Africa**, severe flooding in the Horn of Africa, after several weeks of excessive rains, has resulted in loss of life, damaged infrastructure and housing and caused crop and livestock losses. Overall, it is estimated that up to 1.8 million people have been adversely affected by the floods in **Somalia, Kenya** and **Ethiopia**. In affected pastoral areas of these countries, the floods follow drought conditions early in the year that resulted in acute food shortages and serious livestock losses. Emergency assistance operations to these populations are being hampered by impassable roads and bridges. In **Eritrea**, despite the favourable outlook for the current main season harvest the food outlook remains difficult for large numbers of internally displaced people. In **Sudan**, the continued humanitarian crisis in Darfur continues to give rise for concern. Hundreds of thousands of people could be displaced again should Darfur face an upsurge in conflict. In the **United Republic of Tanzania** and **Uganda**, the overall food supply situation is adequate but food difficulties remain in parts due to localized drought and/or insecurity. In **Southern Africa**, despite a significant improvement in most countries' 2006 cereal harvests, food insecurity persists in several parts. In **Zimbabwe**, the economic crisis continues to deepen with an estimated 1.4 million rural people (about 17 percent of the total rural population) unable to meet their minimum cereal needs during the 2006/07 season while, unemployment and inflation is increasing the number of food insecure in the urban areas. In **Lesotho** and **Swaziland**, poor cereal harvests again in 2006 preclude an improvement in the food security of these countries, afflicted by problems of poverty and the impact of HIV/AIDS. In **Angola**, despite economic growth and increased oil revenues, localized food insecurity persists for an estimated 800 000 vulnerable people. In **Madagascar**, the food security situation has worsened in southern parts because of drought this season. In the **Great Lakes region**, the continuing civil strife in the **Democratic**

Republic of the Congo, has affected large numbers of people who need food assistance. Food aid is also needed in **Burundi** following the reduced 2006 total food crops harvest, combined with resettlement of returnees and IDPs.

In **Asia**, food rations for millions of people in the **Democratic People's Republic of Korea** will remain reduced as a result of the suspension of food aid. In **Sri Lanka**, continued fighting in the country remains a pressing humanitarian problem with some 130 000 IDPs reportedly without access to food assistance due to insecurity. In **Nepal**, an historic agreement to end the ten-year civil conflict should have a significant positive impact on the country's food security situation. However, food production in several regions has been compromised severely in 2006 by severe drought and floods. Food insecurity persists in **Timor-Leste**, but is expected to improve with improvement in the security situation. Severe localized food insecurity also persists in **Indonesia** due to the lingering effects of tsunami and earthquakes and in **Pakistan** due to floods and earthquakes. Emergency food aid is needed in some regions of **Bangladesh** after severe seasonal floods. In the **Near East**, conflict and insecurity in **Iraq** has caused the displacement of hundreds of thousands of people. In **Afghanistan**, drought-reduced harvests in 2006 and increased military operations over the past year have deteriorated the food security situation in the country. Moreover, heavy rains and floods in late November in the western provinces of Badghis washed away several villages along the Murghab River, affecting some 50 000 families. Distribution of emergency assistance is being hampered by bad weather.

The food situation in the **West Bank and Gaza Strip** also gives cause for serious concern due to food shortages and market disruption which are aggravated by the current tense political situation. Among the **Asian CIS** countries, a drought-reduced harvest in **Armenia** in 2006 has rendered large numbers of people food insecure in the current marketing year 2006/07 (July/June).

In **Central America**, assistance continues to be required for vulnerable people in **Honduras**, and **Haiti** where torrential rains in late November resulted in severe floods in the north-west region of Port-de-Paix.

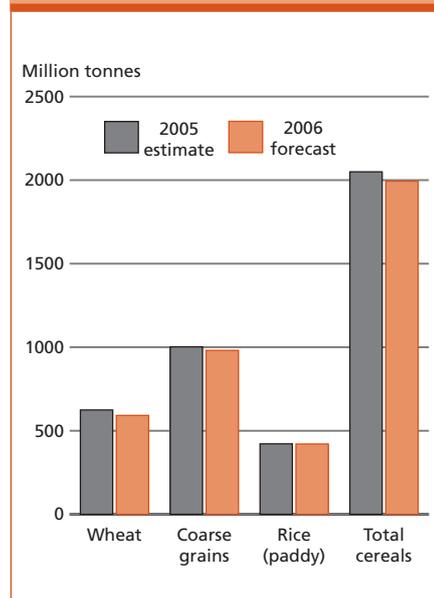
In **Europe**, military operations and civil conflict continue to affect social and economic activities in **Chechnya**. Many internally displaced people require food assistance.

Global cereal supply and demand brief

World cereal balance tightening up even more

FAO's forecast for cereal production in 2006 has been lowered further since the previous report, by almost 19 million tonnes to 1 994 million tonnes (including rice in milled terms), which would be 2.7 percent less than the 2005 output. The decline in cereal production this year coincides with an anticipated growth in total cereal utilization; at current forecast levels the utilization would exceed production by 3.3 percent. The last time total cereal utilization exceeded world production by a similar magnitude was in 2003/04 but at that time the level of world stocks was some 15 million tonnes larger than this season's opening level. The tightening up of the world cereal balance has resulted in strong price responses for all cereals; driving up the cost of cereal imports. The total cereal import bill of the Low-Income Food-Deficit Countries (LIFDCs), as a group, is forecast to surge by 15 percent in 2006/07

Figure 1. World cereal production



despite the fact that their aggregate imports are not increasing compared to the previous season. But high prices are also encouraging larger plantings for 2007. For wheat, early indications already suggest increases in winter plantings in the northern hemisphere, while prospects for most other cereals to be planted next year, maize in particular, are also favourable. In spite of this positive outlook for crops in 2007, the near-term supply conditions are expected to remain tight with prices still high and volatile.

Favourable prospects for 2007 grain crops, especially wheat

Early prospects for the 2007 winter grain (mostly wheat and barley) crops that have already been planted in the northern hemisphere are generally favourable. In the United States, the winter wheat planting was virtually complete by mid-November under favourable conditions and tentative estimates point to a 5 percent expansion in area. In Europe, conditions for planting and crop establishment in the EU have been generally favourable in most parts and tentative estimates point to a 1 percent expansion in the aggregate wheat area. Further to the east of the region, planting conditions (moisture availability and temperature) in the CIS countries have been much more favourable this year. The planted area in the Russian Federation is estimated similar or slightly up from the previous year while a sharp increase is estimated in the Ukraine after last year's reduced level. In Asia, the winter wheat area in China is estimated similar to last year. Dry conditions in northern and eastern parts of the country have hampered germination and establishment, but soil moisture in southern areas is reported to be adequate. Wheat planting

in India is progressing well and the area is expected to rise in response to government incentives to encourage wheat production. In North Africa, mostly beneficial weather is favouring wheat planting.

The first 2007 coarse grain crops are already being sown in some countries in the southern hemisphere. In South America, recent beneficial rains allowed progress of the coarse grain planting, previously delayed by lack of soil moisture, and early indications point to a slight increase in the aggregate sown area in the region. In Argentina, tentative official estimates put the maize area up sharply from last year. In Southern Africa, the planting season is well underway in many parts in the south and centre of the region where good rainfall has already arrived, but delayed in some areas that remain dry, particularly in the north. The maize area in South Africa is expected to recover sharply from the previous year's reduced level.

Prospects for the first 2007 rice crops being planted in the southern hemisphere are rather mixed. The outlook is poor in Australia, Indonesia, the Philippines, where drought or severely dry conditions persist, but improved somewhat in South America with the arrival of beneficial rains.

Further downward revision to the 2006 wheat, coarse grains and rice production forecasts

The further reduction in the 2006 world cereal forecast since the last report in October results from downward revision of the wheat, coarse grains and rice forecasts. As of mid-November, with the main **wheat** harvests in the northern hemisphere already complete, and those in the south soon to be concluded, FAO's latest forecast of world output in 2006 stands at 591.8 million tonnes, almost 33 million tonnes, or 5.2 percent, down from 2005 and below the average of the past five years. The latest revision results mostly from smaller forecasts for the southern hemisphere crops that are still being harvested. Prospects in Australia have

deteriorated further due to severe drought and the final output is now forecast at just 44 percent of the average of the past five years. In South America, a period of drought in Argentina reduced the yield potential of wheat crops, and although the harvest is still expected to be better than last year's low level the improvement will not be as much as projected.

FAO's forecast for world production of **coarse grains** in 2006 has been revised downward since the previous report to 981.2 million tonnes, which would be 2.1 percent down from last year but is above the average of the past five years. The latest revision is mostly accounted for by a smaller maize output forecast in the United States, where the latter stages of the harvest have revealed lower than expected yields in parts. Other significant downward revisions have been made for some European countries where maize harvesting has still been ongoing and for Australia, where the winter coarse grain crops have been devastated by severe drought.

Prospects for global **rice** production in 2006 have also deteriorated further since the last report, reflecting a less bright outlook than anticipated in some countries in Asia, mainly the largest producers, China and India, where crops have been affected by localized drought problems. Based on the latest information, FAO forecasts 2006 global rice production at 420.9 million tonnes (milled terms), 3.2 million tonnes less than previously expected, and slightly below the 2005 harvest. The latest revision for rice means that, contrary to earlier expectations of a slight increase, the global output in 2006 will fall below the previous year's level. The worsening of the outlook was particularly severe in the case of India, although this is still subject to much uncertainty.

Food and Ethanol drive up cereal utilization in 2006/07

World cereal utilization in 2006/07 is currently forecast at 2 060 million tonnes,

down marginally since October and up 1 percent from the previous season's record. Most of the increase in total cereal utilization is in food consumption and industrial uses while cereal feed utilization is likely to stagnate. At the global level, the increase in cereal food consumption is expected to remain largely in line with anticipated population growth; as a result, the world per caput intake of cereals is expected to remain roughly unchanged at around 153kg. In Africa, where the cereal supply situation seems to show signs of improvement compared to the previous season, per caput cereal consumption is forecast to rise by nearly 2kg to 155kg. However, this increase is expected to be most pronounced in North Africa where several countries have harvested

bumper cereal crops this year. Cereal used for industrial processing is expected to expand further this season. The main growth engine for higher industrial use is the fast expanding maize-based ethanol production in the United States. At the start of the decade, the amount of maize used for ethanol in the United States barely reached 6 percent of its domestic production but that amount is now heading towards 20 percent (roughly 55 million tonnes), almost the same as the expected exports from the United States in 2006/07. On the other hand, global cereal feed utilization is forecast at 743 million tonnes, representing a decline of 4 million tonnes from the previous season's estimate. Most of the slowing down in cereal feed usage is forecast for

Table 1. World cereal¹ production (million tonnes)

	2005 estimate	2006 forecast	Change: 2006 over 2005 (%)
Asia	891.1	901.3	1.2
Far East	790.4	799.4	1.1
Near East in Asia	72.5	71.7	-1.0
CIS in Asia	28.0	30.1	7.4
Africa	132.3	137.0	3.6
North Africa	31.3	35.7	14.1
Western Africa	45.6	47.7	4.6
Central Africa	3.3	3.4	1.3
Eastern Africa	29.1	29.5	1.6
Southern Africa	23.0	20.8	-9.9
Central America & Caribbean	34.8	37.6	8.1
South America	109.4	107.1	-2.1
North America	416.5	390.7	-6.2
Europe	423.9	401.2	-5.4
EU 25	259.8	249.7	-3.9
CIS in Europe	122.3	115.3	-5.7
Oceania	40.7	18.9	-53.5
World	2 048.7	1 993.9	-2.7
Developing countries	1 116.0	1 135.1	1.7
Developed countries	932.7	858.7	-7.9
- wheat	624.5	591.8	-5.2
- coarse grains	1 002.3	981.2	-2.1
- rice (milled)	421.9	420.9	-0.2

¹Includes rice in milled terms.

Note: Totals computed from unrounded data.

the developed countries, especially in the United States where, in spite of a decline in its domestic grain production, exports are forecast to increase further tightening supplies.

World wheat stocks lowest since 1981

The decline in world cereal production and rising utilization would bring about a further erosion of the world cereal stock level. Based on the latest estimates, FAO forecasts world cereal stocks by the close of seasons ending in 2007 at 403 million tonnes, down 19 million tonnes from the previous forecast and 66 million tonnes, or 14 percent, below their opening level. At the current forecast level, the world stocks-to-use ratio is likely to hit a historical low of just over 19 percent.

This year's production shortfalls in many parts of the world are expected to result in a large drawdown of world wheat inventories to their lowest level since the early 1980s. Global wheat stocks for crop years ending in 2007 are currently forecast to fall to around 147 million tonnes, nearly 28 million tonnes, or 16 percent, below their opening levels. At this level, and in spite of an expected slowdown in

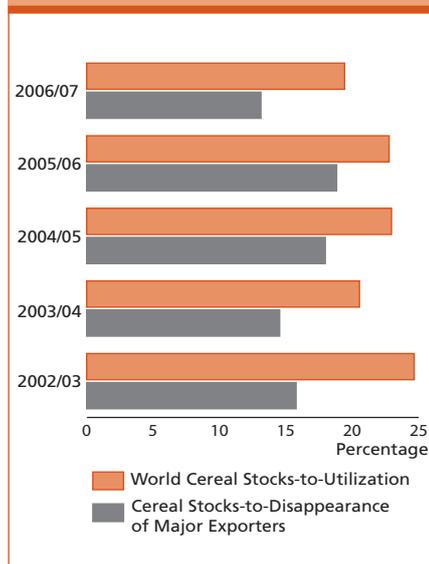
utilization growth, the world stocks-to-use ratio for wheat is forecast at around 23 percent. This represents a 5 percentage point drop from the previous season and the lowest ratio for at least 30 years.

World carryovers of coarse grains are forecast to reach 151 million tonnes, down 38 million tonnes, or 20 percent, from their opening levels. This forecast is 11 million tonnes less than previously reported and reflects this month's

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

	2004/05	2005/06	2006/07	Change: 2006/07 over 2005/06 (%)
PRODUCTION¹	2 074.1	2 048.7	1 993.9	-2.7
wheat	632.0	624.5	591.8	-5.2
coarse grains	1 035.2	1 002.3	981.2	-2.1
rice (milled)	406.9	421.9	420.9	-0.2
SUPPLY²	2 489.8	2 516.4	2 462.9	-2.1
wheat	792.7	800.0	766.5	-4.2
coarse grains	1 184.8	1 195.3	1 170.2	-2.1
rice	512.4	521.1	526.2	1.0
UTILIZATION	2 023.8	2 038.3	2 060.0	1.1
wheat	618.8	623.2	621.7	-0.2
coarse grains	991.2	998.7	1 017.4	1.9
rice	413.8	416.4	420.8	1.1
Per caput cereal food use (<i>kg per year</i>)	152.9	153.2	153.3	0.1
TRADE³	245.3	245.0	243.8	-0.5
wheat	110.8	110.1	110.0	-0.1
coarse grains	104.8	106.4	105.0	-1.3
rice	29.8	28.6	28.9	1.1
END OF SEASON STOCKS⁴	467.7	469.0	402.9	-14.1
wheat	175.5	174.7	147.0	-15.8
- main exporters ⁵	55.0	58.0	34.5	-40.6
coarse grains	193.0	189.0	151.2	-20.0
- main exporters ⁵	93.8	90.2	53.5	-40.7
rice	99.2	105.3	104.7	-0.6
- main exporters ⁵	18.9	22.7	22.1	-2.5

Figure 2. Important global stock ratios



Low-Income Food-Deficit Countries⁵

Cereal production¹	818.9	857.5	875.4	2.1
<i>excluding China and India</i>	273.9	290.6	300.8	3.5
Utilization	907.4	1 084.6	1 106.6	2.0
Food use	645.3	655.3	664.6	1.4
<i>excluding China and India</i>	265.5	271.5	278.1	2.4
Per caput cereal food use (<i>kg per year</i>)	158.1	158.3	158.2	0.0
<i>excluding China and India</i>	158.0	158.5	159.3	0.5
Feed	161.9	163.1	165.8	1.7
<i>excluding China and India</i>	42.5	45.0	45.3	0.8
End of season stocks⁴	227.1	231.2	236.3	2.2
<i>excluding China and India</i>	48.4	52.8	52.4	-0.8

¹ Data refer to calendar year of the first year shown.

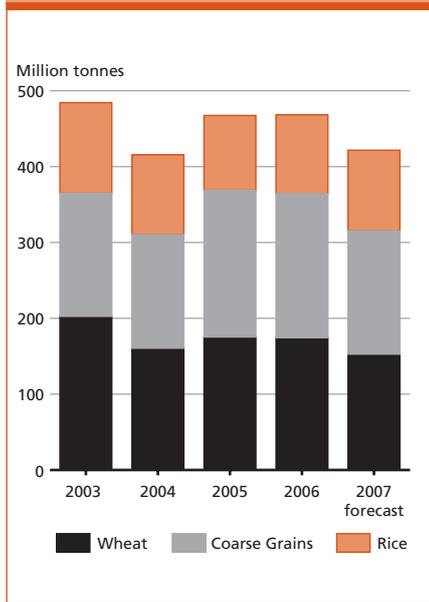
² Production plus opening stocks.

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 For definition see notes on back cover.

Figure 3. World cereal stocks



downward adjustment to the world production estimate, by roughly the same amount. The sharp decline in world coarse grains stocks compared to the previous season results from lower carryovers of all major coarse grains, lead by maize, down 27 million tonnes, and barley, down 7 million tonnes.

World rice inventories at the close of the 2006/07 marketing seasons are now set to be cut to less than 105 million tonnes, slightly below their opening level, reversing previous expectations of a stock rebuilding. The change in the outlook follows mainly from the deterioration of crop prospects in several major producing countries, which will constrain many of them to use their reserves to meet domestic consumption and, in the case of exporters, export demand.

Global cereal trade declines in 2006/07

Unchanged from the previous forecast, world cereal trade in 2006/07 is expected to reach 244 million tonnes, 1 million tonnes below the record in 2005/06. This decrease mostly reflects smaller imports by a number of developing countries, largely due to their own good harvests.

World trade in wheat in 2006/07 is

forecast at 110 million tonnes, unchanged from the previous season and slightly below the last forecast in October. The decline in this month's forecast is mostly a reflection of further cuts in commercial imports by several countries. Generally good harvests in some of the leading net-wheat importing countries have lowered their import requirements this season, but, for several countries, rising prices of wheat seem to have also slowed down their purchases from international markets. In spite of lower imports by many countries, world trade in 2006/07 can still be considered as the second largest in size, just 1 million tonnes below the record in 2004/05. The reason for this is a sudden increase in wheat imports by only a few countries, most notably Brazil and India, without which world trade would have taken a sharp dive instead. The large anticipated imports by India and Brazil are one of the emerging features of this season's trade. The other is the supply tightness triggered by smaller harvests in several wheat exporting countries. Among the top 5 major exporters, individual shipments from all but Australia are likely to remain close to, or even increase from, the previous season but this would be mainly at the expense of some heavy draw downs of their inventories. Most other exporters suffered from reduced harvests this season and this should weigh heavily on their export potential. In Ukraine, the Government has recently introduced wheat export licensing and export quotas (400 000 tonnes of wheat) for the rest of the year.

International trade in total coarse grains in 2006/07 (July/June) is forecast at 105 million tonnes, down nearly 1 million tonnes from the previous season. Small declines in several countries in Africa and Asia contribute to most of the anticipated decrease in world trade while higher imports are forecast for a number of countries in North and South America.

Total imports by countries in Asia are forecast at 57 million tonnes, down slightly

from the previous season. Smaller imports of barley by Saudi Arabia are responsible for most of the anticipated reduction. In Africa, total imports are forecast to decline by 1 million tonnes to 14.8 million tonnes. The single largest decline is forecast for Zimbabwe, where maize imports are forecast to fall by almost 1 million tonnes, reflecting the estimated doubling of production in 2006. In Central America, total imports by Mexico are forecast down slightly, mostly due to reduced purchases of sorghum; while its maize imports are likely to increase despite an improved harvest this year. In South America, Brazil is expected to import slightly more barley this season due to its decline in production. In North America, Canada and the United States are forecast to raise their imports. In Canada, the decline in domestic maize production coupled with strong demand is expected to result in its largest imports since 2002/03. Regarding coarse grains exports, maize shipments are forecast to increase to a record volume of some 80 million tonnes as a result of strong world demand. The increase reflects a sharp rise in sales from the United States, which would compensate anticipated declines in exports by Argentina, China, the Republic of South Africa, and Ukraine, due to these countries' tighter exportable supplies.

FAO's forecast for world trade in rice in 2007 has been revised upward to roughly 28.9 million tonnes, up 800 000 tonnes from the previous report and 300 000 tonnes above the estimate for 2006. The anticipated small increase in 2007 mainly reflects larger imports by a number of countries in Africa and Latin America and the Caribbean. By contrast, in Asia, rice imports are currently foreseen to fall somewhat, owing to expectations of smaller purchases by several countries; including, Bangladesh, the Islamic Republic of Iran and the Philippines, which are expected to harvest larger crops in 2006. Regarding exports, relatively large carryover stocks in Thailand and good crops in Cambodia, Egypt and Myanmar

could help sustain a modest expansion of 300 000 tonnes in total sales. On the other hand, reduced export availabilities are likely to depress shipments from Australia, India, Japan, the United States and Viet Nam. In the case of the United States, the retrenchment from the market would also reflect the imposition of stringent testing requirements by several importing countries, following recent findings of the unauthorized, genetically-modified LLRice 601 in US long grain rice shipments.

Cereal prices rise in the wake of further cuts in world supply

The tightening of the global cereal supply and demand balance continues to rally prices of all cereals. In the wheat market, recent concerns about the prospects for wheat crops in major producing countries in the southern hemisphere, especially drought-devastated Australia, have put more upward pressure on prices while the announcement from Ukraine to limit exports through quotas also provided support. In November, the US hard wheat export prices were quoted at around US\$219, up over US\$52, or 31 percent, from the previous year and highest since 1996. The increase in US export prices was also supported by the sudden sharp weakening of the US dollar. After a brief decline in early November, the Chicago Board of Trade's (CBOT) March contracts for soft red winter wheat resumed their upward trend in late November to US\$185 per tonne, more than US\$72 per tonne, or 61 percent, above the corresponding period last year. Price developments in wheat futures have been supported not only by the wheat market's own fundamentals but also a continuing rally in maize prices and heavy purchases by hedge funds.

The recent upward movements in international prices of most coarse grains have been mainly set off by the prevailing

Table 3. Cereal export prices* (US dollars)

	2006					2005
	Nov.	Oct.	Sept.	Aug.	July	Nov.
United States						
Wheat ¹	219	218	208	201	213	167
Maize ²	166	141	119	113	114	97
Sorghum ²	169	154	128	121	129	94
Argentina ³						
Wheat	185	191	167	160	159	134
Maize	171	135	114	111	114	91
Thailand ⁴						
Rice white ⁵	305	306	314	318	321	283
Rice, broken ⁶	218	221	222	220	216	211

*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.

supply and demand fundamentals in markets for maize; the world's largest traded coarse grain. The sharp cut in this year's maize production in the United States, just as its own demand for feed, industrial use and exports are all increasing, has resulted in a much tighter domestic balance and driven up prices. In addition, the trade situation this season is marked by much smaller maize exportable supplies in most other exporting countries. Argentina recently suspended export permits due to the concerns about the domestic supply situation in the light of large export sales up until now. In November, the US maize export price (US No.2 Yellow) averaged US\$166 per tonne, up US\$69 per tonne, or 70 percent, from last year. Similarly in the futures market, maize quotations have moved up sharply in recent months. In fact, the supply tightness is such that the seasonal harvest pressure, which normally around late October would have put downward pressure on prices, has not appeared to be taking place this season. Instead, in early November, the nearby maize futures at the Chicago Board of Trade (CBOT) surged to a 10-

year high on the expectation of even more significant tightening in the United States than markets had anticipated earlier. By late November, the March 2007 maize contracts stood at around US\$151 per tonne, up US\$72 per tonne, or 90 percent, from the corresponding period last year. The weaker US dollar and delays in maize shipments from China and India continue to lend support to maize futures

International rice prices, which had been on the rise between June and September, did not decline in October and gained further momentum in November, despite the arrival on the market of freshly harvested supplies. This was reflected in the FAO All Rice Price Index, which averaged 111 in October, the same level as in September, before rising to 113 in the first three weeks of November, the highest level since October 1998. Part of the renewed strength reflected evident tightness in exporting countries, in particular Viet Nam, which announced the suspension of exports in November, but also high domestic prices in India, fuelled by large government purchases, and the United States.

Low-Income Food-Deficit Countries' food situation overview

Bumper 2006 cereal crops gathered in most LIFDCs

While the world cereal production is set to decline in 2006, in the group of 82 LIFDCs, output is expected to rise. With harvesting of the main 2006 cereal crops completed, or close to completion, in most regions of the world, FAO's forecast of the LIFDC's aggregate cereal production has been revised up slightly since the last report to 875.4 million tonnes, which is 2.1 percent above the good level of 2005. When the largest cereal producing countries of China and India are excluded, the increase in this year's production is more pronounced, reaching 3.5 percent.

Bumper cereal crops have been obtained in most parts of Africa, including the Sahel, Far East Asia and CIS Asia. However, outputs were reduced by dry spells during the growing seasons in Afghanistan, Armenia, Georgia, Honduras and Nicaragua.

As a result of the improved harvests, and consequently supplies, per capita cereal food consumption is expected to rise in LIFDCs. The increase is expected to be most notable in Africa.

Higher prices drive up cereal import bills but also export earnings

Should the current FAO forecasts for cereal trade, prices and food aid for 2006/07 (July/June) materialize, the more economically-vulnerable and food-deficit regions could face more elevated cereal import bills this season than in 2005/06. The developing countries are likely to spend a record US\$41 billion on imports of cereals in

2006/07, up 18 percent from 2005/06. The total cereal import bill of the Low-Income Food-Deficit Countries (LIFDCs) is also forecast to hit an all time high of US\$21 billion, up roughly 15 percent from the 2005/06 estimated level. These increases are primarily price driven, given the strong rise in world grain prices during the course of this marketing season; while import volumes (on an aggregated basis) are forecast to remain close to, or even decline from, the previous season's estimated levels. The average price increase in 2006/07 is projected at 35 percent for maize and 25 percent for wheat. As a result, the

estimated per unit cereal import cost for most developing regions would be rising again this season, considering also the fact that food aid shipments (in terms of cereals), which had already declined significantly in 2005/06, are assumed to be unchanged in 2006/07. At the current forecast levels, the developing countries would face a rise of around US\$35 per tonne in their per unit cereal import cost while the rise would be US\$32 per tonne for the LIFDCs, as a group.

In general, wheat accounts for the largest portion of the cereal import bill for most developing countries, which tends to exceed by a large margin the imports of all other major cereals. The overall value of wheat imports by the LIFDCs in 2006/07 is forecast at US\$12.6 billion, up US\$2 billion from 2005/06, mostly reflecting this season's higher prices. However, this bill appears significantly lower when

Table 4. Trends in cereal import bills (July/June)¹

	2001/02	2002/03	2003/04	2004/05	2005/06 estimate	2006/07 f'cast
Import Bill (US \$ million)						
Developing countries	25 825	29 002	31 617	34 206	35 122	41 331
LIFDC	12 445	14 114	15 914	19 028	18 288	21 018
LDC	2 393	2 896	2 519	2 150	2 145	2 556
NFIDC	6 048	5 665	4 945	4 227	4 678	4 882
Total volume imported (000 tonnes)						
Developing countries	177 642	172 248	167 665	183 619	183 920	183 133
LIFDC	82 864	81 941	80 862	96 096	89 251	88 823
LDC	17 321	21 254	18 601	21 862	19 614	19 129
NFIDC	34 597	32 191	31 788	36 827	36 888	34 205
Commercial imports (000 tonnes)						
Developing countries	170 691	164 837	161 022	178 119	179 986	179 003
LIFDC	76 223	75 117	74 507	90 818	85 478	84 854
LDC	13 314	18 320	14 663	18 225	16 452	16 607
NFIDC	33 399	31 242	31 164	36 420	36 440	33 888
Per unit import cost (US \$/tonne)^{2/}						
Developing countries	145.4	168.4	188.6	186.3	191.0	225.7
LIFDC	150.2	172.3	196.8	198.0	204.9	236.6
LDC	138.2	136.2	135.4	98.4	109.4	133.6
NFIDC	174.8	176.0	155.5	114.8	126.8	142.7

¹ Same countries may appear in more than one special country group.

² Based on the per unit cost of total imports

Source: FAO.

India is excluded. The wheat import bill of the LIFDCs, without India, is estimated at US\$10.8 billion, which would be US\$600 000 above 2005/06 in spite of most other LIFDCs reducing their imports due to improved domestic supply conditions. The LIFDCs are also expected to spend at least US\$4.4 billion on rice imports, which would represent an increase of some US\$ 200 million over 2006, driven by slightly larger imports and higher international prices. Similarly the import cost for purchasing coarse grains by the LIFDCs in 2006/07 is put at nearly US\$4 billion in 2006/07, up US\$700 million from the previous season's estimated level. However, imports by China alone account for almost 30 percent of total volume of coarse grains imports by LIFDCs. Therefore, deducting China from the total, the coarse grain imports bill of the LIFDCs comes to US\$2.7 billion, US\$500 000 below the previous season's level due to sharp declines in imports by most other countries.

While the increase in international cereal prices this season is largely regarded as a burden for those low-income countries that rely on world markets for their imports, a few among them also export cereals and, therefore, for them the higher prices are largely a positive development. It is important to underline that total export earnings of the LIFDCs from cereals is relatively small, accounting for no more than 10 percent of the world total for most recent years. In 2006/07, the total export earnings of the LIFDCs are forecast to approach US\$4 billion, which would be around US\$500 million more than in 2005/06. However, only a few LIFDCs are exporters, among which the combined exports by China and India account for nearly 40 percent of the total export earnings from cereals. The other significant LIFDC exporters are Egypt and Pakistan followed by several smaller exporting countries,

Cereal import bill forecasts for LDCs and NFIDCs

The combined cereal import bill of the Least-Developed Countries (LDC) and the Net-Food Importing Developing Countries (NFIDC), which include a list of nations agreed by the World Trade Organization (WTO) to qualify as beneficiaries under the Marrakech Decision on the Possible Negative Effects of the Reform Programme, is expected to reach US\$7.4 billion in 2006/07, up 9 percent from 2005/06. All of this increase would again reflect higher international prices and landed costs (i.e. freights, insurance and handlings) while their combined cereal imports would be down

almost 3 million tonnes compared to the previous season. At the current forecast levels, the per unit import cost for the LDCs is likely to reach US\$134 per tonne while for the NFIDC category, which includes much smaller food aid recipient countries in its composition, the per unit import cost could rise to US\$143 per tonne in 2006/07, up US\$16 per tonne from the previous season. Nevertheless, in all cases, the per unit import cost estimates continue to remain well below the peaks observed during the cereal price hike periods of the mid-1990s.

Table 5. Cereal import bill in LIFDCs by region and type (July/June, US\$ million)

	2001/02	2002/03	2003/04	2004/05	2005/06 estimate	2006/07 f'cast
LIFDC	12 445	14 114	15 914	19 028	18 288	21 018
Africa	5 519	6 441	7 085	8 466	8 522	8 607
Asia	6 506	7 155	8 166	9 859	9 006	11 525
Latin America and Caribbean	263	317	389	422	470	557
Oceania	55	69	76	79	82	91
Europe	102	133	198	201	209	238
Wheat	6 550	7 823	8 906	10 932	10 754	12 616
Coarse grains	2 698	3 245	3 312	3 408	3 237	3 984
Rice	3 196	3 046	3 695	4 688	4 297	4 418

Source: FAO.

Table 6. LIFDC: Export earnings of cereals (July/June, US\$ million)

	2001/02	2002/03	2003/04	2004/05	2005/06 estimate	2006/07 f'cast
LIFDC	3 280	4 841	4 821	3 831	3 544	4 004
China	1 050	2 179	1 865	763	954	971
Pakistan	418	567	464	777	771	880
India	1 444	1 531	1 628	1 365	907	812
Egypt	72	90	174	243	215	242
Syria	111	128	211	102	133	212
Cambodia	9	15	25	22	65	132
Uzbekistan	0	0	72	77	35	110
Morocco	19	24	24	31	35	88
Tanzania	8	9	16	28	40	61
Uganda	27	38	44	34	26	49

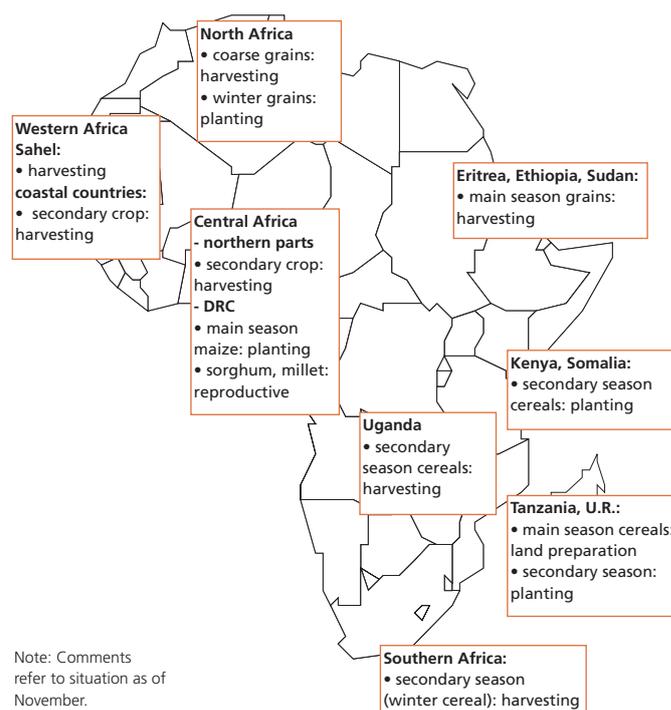
Source: FAO.

Regional reviews

Africa

North Africa

Harvesting of the 2006 summer coarse grain and paddy crops is nearly complete while planting of the 2007 winter wheat and coarse grains has started. The 2006 aggregate production of wheat, the main crop in the subregion, is estimated at 18.7 million tonnes, nearly 22 percent up from the previous year's drought-reduced level. In **Egypt**, the largest producer in the subregion, wheat output is estimated at 8.3 million tonnes, which is higher than the bumper crop already achieved in 2005. In **Morocco**, output of wheat, is officially estimated at a record of 6.3 million tonnes, nearly 50 percent above the average of the past five years and twice the level of the 2005 drought-affected crop. In addition to the exceptionally favourable weather conditions, this reflects government policy to encourage investment in agriculture, in particular, increased subsidies to farmers to expand mechanization and use of high-quality seeds. In **Tunisia**, by contrast, below-normal and poor distribution of rainfall in March and April, seriously affected crop yields of winter wheat and barley.



The 2006 subregion's aggregate production of coarse grains (winter and spring) is preliminarily estimated 6 percent higher than last year at 12.4 million tonnes. This reflects a recovery in the winter barley output estimated at 4.5 million tonnes, 56 percent

Table 7. Africa cereal production (million tonnes)

	Wheat			Coarse grains			Rice (paddy)			Total Cereals		
	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast
Africa	22.4	21.0	24.9	89.4	97.8	97.8	19.4	20.8	22.1	131.2	139.5	144.7
North Africa	17.2	15.4	18.7	12.9	11.7	12.4	6.4	6.2	6.6	36.5	33.2	37.7
Egypt	7.2	8.2	8.3	7.8	8.7	8.0	6.4	6.1	6.5	21.3	23.0	22.8
Morocco	5.5	3.0	6.3	3.0	1.3	2.7	0.0	0.0	0.0	8.6	4.3	9.0
Western Africa	0.1	0.1	0.1	35.2	39.9	41.7	8.1	9.2	9.7	43.4	49.1	51.4
Nigeria	0.1	0.1	0.1	20.9	22.4	24.1	3.5	4.2	4.8	24.5	26.6	28.9
Central Africa	0.0	0.0	0.0	2.9	3.0	3.1	0.4	0.4	0.4	3.3	3.5	3.5
Eastern Africa	3.2	3.3	3.6	20.7	24.8	24.9	1.2	1.4	1.6	25.1	29.5	30.1
Ethiopia	2.2	2.4	2.5	7.9	9.3	9.3	0.0	0.0	0.0	10.0	11.7	11.7
Sudan	0.4	0.4	0.6	3.1	5.0	4.8	0.0	0.0	0.0	3.5	5.5	5.4
Southern Africa	1.9	2.2	2.5	17.7	18.4	15.8	3.3	3.7	3.8	22.9	24.2	22.0
Madagascar	0.0	0.0	0.0	0.4	0.4	0.3	3.0	3.4	3.5	3.4	3.8	3.8
South Africa	1.7	1.9	2.2	10.3	12.3	7.0	0.0	0.0	0.0	12.0	14.2	9.2
Zimbabwe	0.1	0.1	0.1	1.1	0.7	1.4	0.0	0.0	0.0	1.2	0.8	1.5

Note: Totals computed from unrounded data.

above the drought-affected crop of 2005, and a decline of 11 percent in spring maize production (mostly in Egypt) from the bumper level of last year.

Western Africa

In **western Africa**, the 2006 cereal harvest is complete in the Sahel while in the coastal countries along the Gulf of Guinea, harvest of the second season cereal crops is in progress. A good 2006 aggregate cereal output is anticipated. In the Sahelian countries, after erratic and below-average rains until late June, necessitated replanting in most regions, precipitation improved significantly from July and remained regular and well distributed through October. In October-November 2006, joint CILSS/FewsNet Crop Assessment Missions to the nine CILSS member countries provisionally estimated aggregate cereal production in the Sahel at about 15 millions tonnes, mostly millet and sorghum (see Figure 4), which is slightly above last year's bumper output and some 19 percent above the average for the last five years.

This represents the second consecutive record crop after a significant drop in cereal and pasture output in 2004 that led to reduced food supplies and exceptionally high food prices, with serious effects on household assets and income. Record crops are estimated in **Niger, Burkina Faso** and **Mali**, the largest producers in the subregion (see Figure 5), as well as in **Chad, The Gambia** and **Guinea-Bissau**; while above-average outputs are expected in **Mauritania** and **Cape Verde**. Cereal production is anticipated to be about average only in **Senegal** due mostly to inadequate supply of inputs.

In the coastal countries along the Gulf of Guinea, harvest prospects for the 2006 second season coarse grain crops are generally good. In **Nigeria**, the largest producing country, a

bumper food harvest is expected (see box). The aggregate 2006 cereal production (main and second season) is officially forecast nearly 8 percent higher than in 2005 at about 28 million tonnes including about 4 million tonnes of rice. Cassava production is forecast at about 45.7 million tonnes, which is 10 percent above last year's level. The good outcome is due to several factors including, exceptionally favourable weather conditions this year, government subsidies to farmers to expand mechanization and use of high-quality seeds and fertiliser, and steady demand for cereals by the agro-industrial sector in the past years. Other areas in the subregion also experienced favourable agro-climatic conditions, and production is expected to be average in most countries including **Benin, Côte d'Ivoire, Ghana, Guinea** and **Liberia**.

As a result of two consecutive good crops across Western Africa, a satisfactory food supply situation is anticipated in 2007. Cereal prices have been decreasing since the beginning of the harvests and are expected to continue their downward trend as more grains arrive to the markets. Unsold old stocks of various commodities are reported to have been carried over into the new season. In order to support producer prices, governments of the subregion are encouraging the replenishment of national food reserves depleted by food relief distributions or subsidized sales during the 2005 food crisis. For ongoing food aid programmes, donors are also urged to undertake local purchases and triangular transactions of coarse grains to the extent possible, notably in Nigeria, Burkina Faso, Mali, Niger and Chad.

Overall access to food is also anticipated to remain adequate during 2007 because of stable and relatively low prices. However, in some localised areas of the Sahelian countries, where yields were severely reduced by delayed rains or floods, populations

Figure 4. Sahel - 2006 cereal production by commodity

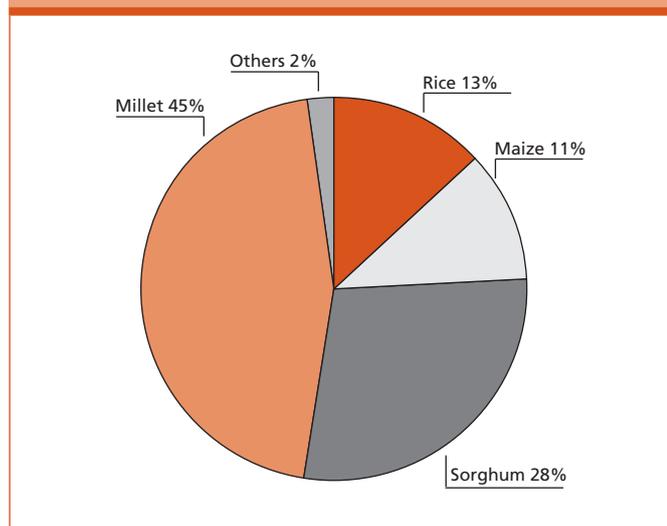
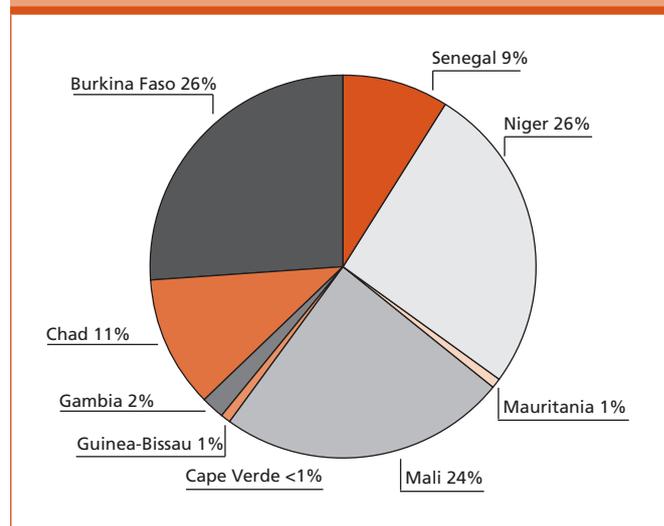


Figure 5. Sahel - 2006 cereal production by country



Bumper foodcrops harvest and declining maize prices in northern Nigeria

Although Nigeria does not usually experience severe food crises, the status of the country in Western Africa is such that developments in its agricultural sector can directly affect the food security position of other countries. An FAO/CILSS/FEWSNet Mission visited northern Nigeria from 23rd October to 4th November in order to review the outcome of the 2006 foodcrop production and assess the food supply situation and its implication for food security in the neighbouring Sahelian countries.

In addition to agro-physical factors and meteorological conditions, agricultural production in Nigeria is strongly influenced by a series of factors, including intervention measures by the Federal and State Governments either in the form of subsidies on basic inputs or import restrictions, and demand for cereals by the poultry and brewery sectors, which in recent years has underpinned the sustained growth of coarse grain outputs.

During 2006 agricultural season, weather conditions were overall favourable for crop development. Although there was a dry spell between May and June which affected early plantings, precipitation improved significantly from July onwards and remained regular and well distributed through October. Moreover, the impact of pests and diseases on crop yields was not significant this year.

Productivity of cereal crops is generally low in Nigeria due to inadequate supply of fertilizers and improved seeds, as well as the poor timeliness of supply and distribution of agricultural inputs. Production this year was supported by increased efforts by both the Federal and some State Governments to

make fertilizer available to farmers at subsidized rates.

As a result of these positive developments, a bumper harvest of cereals is expected this year. Based on data from government sources, the 2006 production is preliminarily estimated at about 28 million tonnes of cereals, including about 4 million tonnes of rice. Output of cassava, another main food staple in the country, is estimated at a good level of 45.7 million tonnes.

However, the incidence of Avian Influenza in Nigeria has had a devastating effect on the poultry industry during 2006, prompting a drastic fall in demand for poultry products. This in turn has led to a corresponding decline in demand for maize, which usually constitutes some 80 percent of poultry feeds. With last year's stock of grains still in the market, serious concern has been raised about the impact of the abundant supplies on grain prices. A continuing decline in maize prices is likely to result in lower plantings of maize next season as farmers shift land to other more profitable crops.

A satisfactory food supply situation is anticipated in Western Africa for the 2006/07 commercial year (November/October for the Sahel and January/December for coastal countries), following the good harvests gathered in the Sahel and in the coastal countries along the Gulf of Guinea, including Nigeria. However, the Mission was concerned about price instability that, if not adequately addressed, could result in a significant decline in production of grains next season and in tight food supplies in the following marketing season. Measures to revive the poultry industry are urgently needed to stabilize maize prices.

may be at risk of food shortages, and may require assistance. Marketing problems in the cashew and groundnut sectors, the main sources of cash income for rural households in **Guinea-Bissau** and **Senegal**, will also continue to negatively affect food security in these countries unless adequate measures are taken.

Central Africa

In **Cameroon** and the **Central African Republic**, harvesting of the second 2006 maize crop is about to start and prospects are favourable due to abundant and widespread rains throughout the cropping season. The first season harvest was good and the 2006 aggregate output is forecast to be about average. In the Central African Republic, however, agricultural recovery and food security continue to be hampered by persistent insecurity and inadequate availability of agricultural inputs, notably in northern parts.

Eastern Africa

In **eastern Africa**, harvesting of the 2006 main season cereal crops has started in northern parts while planting of the secondary season crops is underway in southern parts. The 2006 aggregate output of the subregion is anticipated to increase over the previous year mainly as a result of relatively abundant and well-distributed rains in the main growing areas. However, exceptionally heavy precipitation from August to late November has caused widespread flooding in south-eastern Ethiopia, southern Somalia and north-eastern Kenya, resulting in loss of life and property, and damage to crops and livestock. It is estimated that 1.5 to 1.8 million people are affected in the three countries. In pastoral areas the floods follow drought conditions early in the year that resulted in acute food shortages and migration of thousands of people. Wetter-than-average conditions are forecast over equatorial East Africa for the rest of the year.

September to December rainfall differs in impact and importance, depending on location throughout the subregion. In central and northern Ethiopia, Eritrea and Sudan, for example, these rains complete moisture requirements for maturing crops, while they constitute the minor growing season in parts of Uganda, Kenya and Somalia. In south-central Tanzania, these rains mark the beginning of the long uni-modal rainy season. In pastoral areas of northern Kenya and Somalia, and eastern and south-eastern Ethiopia they are vital for replenishing water resources and regenerating pasture.

In **Eritrea**, the 2006 main "Kiremti" season cereal harvest has started. Satellite imagery indicates that rainfall in September was slightly above average while that of October was below average. However, NDVI images point to an improvement in crop conditions over last year's situation in both the traditional and mechanized agriculture areas. The main pastoral areas appear also to be better than average. According to official sources, the 2006 total cereal output could be about 20 percent up from the average of the past few years. In **Ethiopia**, harvesting of the 2006 main "meher" cereal crop is about to start. Overall prospects are favourable reflecting good rains during the growing season in major producing areas. However, satellite imagery for October has indicated rather mixed conditions at a more localized level, with a cumulative rainfall profile that was below average in the North-Central Highlands, the Arsi-Bale and the South-Central regions, and the extreme northern part of the country; an average profile in the South-Central region and above average one in the West Wet Plateau. In addition, unusually heavy rains in late October and November have resulted in loss of life and localized damage to assets and property, particularly in the south-eastern, mainly pastoralist lowland areas. Official estimates indicate that some 350 000 people in the Somali region have been affected by the floods. By contrast, in Afar region, the main rainy season (karma) has generally performed better than in the past few years and this is having a positive impact on the overall food security situation. Generally, livestock conditions have recovered from the effects of earlier droughts and milk production has improved considerably. An FAO/WFP Crop and Food Supply Assessment Mission is now in the country to assess the outcome of this year's main season harvest and the food supply outlook for 2007. In **Kenya**, harvesting of the 2006 main "long-rains" cereal crop is complete in the major growing areas of the Rift Valley and in the Western and Nyanza Provinces. The revised forecast by the Ministry of Agriculture and Livestock Development of this year's long-rains maize crop stands at 2.5 million tonnes, about 15 percent above average. The long rains cropping season normally accounts for 80 percent of total annual cereal production. Wholesale maize prices have started to decline reflecting the fresh supplies of maize into the markets; also, increased cross-border trade with Tanzania and Uganda has supported the decline in prices. The

AFRICA: Countries in crisis requiring external assistance and main reasons (24)

Exceptional shortfall in aggregate food production/supplies

Lesotho	Multiple year droughts, HIV/AIDS impact
Somalia	Drought, localized floods, conflict
Swaziland	Multiple year droughts, HIV/AIDS impact
Zimbabwe	Deepening Economic Crisis

Widespread lack of access

Eritrea	IDPs, returnees, high food prices
Ethiopia	Low incomes, drought in south-eastern parts, localized floods
Liberia	Post-conflict recovery period, IDPs
Mauritania	After effects of 2004 drought and locusts
Niger	After effects of 2004 drought and locusts
Sierra Leone	Post-conflict recovery period, refugees

Severe localized food insecurity

Angola	Resettlement of returnees, adverse weather in parts
Burundi	Civil strife, IDPs, returnees and recent dry spells
Chad	Refugees, insecurity
Central Afr. Rep.	Recent civil strife, insecurity
Congo, Dem. Rep.	Civil strife, IDPs and refugees
Congo Rep. of	IDPs, refugees
Côte d'Ivoire	Civil strife, IDPs
Guinea	IDPs, refugees, high food prices
Guinea-Bissau	After effects of floods, localized insecurity
Kenya	Drought in parts
Madagascar	Drought in southern areas
Sudan	Civil strife, returnees, drought in parts
Tanzania, U.R.	Drought in parts and refugees
Uganda	Civil strife, IDPs

Note: For explanation of terminology see back cover.

2006 long-rains (March-June) and emergency operations have provided considerable relief in pastoral areas affected by drought earlier this year, avoiding a major humanitarian catastrophe. Improvements in child malnutrition rates are being reported in pastoral and marginal agricultural areas of the country. The number of emergency food aid beneficiaries has been reduced from 3.1 to 2.4 million. However, as the conflict in neighbouring Somalia deepens, a UN joint flash appeal was recently launched to provide assistance for six months for an influx of new refugees into Kenya. By the end of October, an estimated 35 000 Somalis had fled to Kenya since the beginning of 2006, bringing the total number of refugees living in the three refugee camps of Dadaab to 160 000. WFP requires a total of US\$19.2 million to provide food assistance for as many as 315 000 refugees living in both Dadaab and Kakuma refugee camps for six months. In addition, heavy rains and floods in recent weeks have affected some 500 000 people and resulted in displacement of large numbers of population including 100 000 of the 160 000 refugees of the Dadaab camp. In **Somalia**, recent heavy rains of the secondary

"deyr" season, resulted in severe flooding along the Juba and Shabelle Valleys in southern parts, causing the death of 80 people, the displacement of large numbers of population, infrastructure, crops and livestock damage. Overall, it is estimated that 900 000 to 1 million people are affected by the floods, but impassable roads due to the heavy rains hamper emergency assistance distributions. The Climate Prediction and Application Centre (ICPAC) forecasts continuation of the neutral or moderate El Niño event for the rest of 2006 in the Horn of Africa, which may result in further heavy rains. Elsewhere, "karan" rains in the northwest were also normal to above normal for most of the region during August and September. By contrast, seasonal coastal "hays" rains in the north-eastern areas were reported to be poor. The output of the recently harvested main "gu" season cereal crop is estimated by the Food Security Assessment Unit (FSAU) at about 169 400 tonnes, about 25 percent below last year's good crop and 8 percent below the post-war (1995-2002) average.

The heightened state of civil insecurity and tension in the country has also resulted in an alarming food security situation, particularly with the intermittent disruptions to relief food distributions in several areas. In the last few months there has been a considerable increase in population displacements both within and outside Somalia. If the conflict spreads further, the impact on the humanitarian crisis would be severe and the number of people in need of humanitarian assistance could significantly increase. Further information and analysis can be accessed from the FSAU at: www.fsasomali.org. In **Sudan**, a recent FAO/WFP Crop and Food Supply Assessment Mission to southern Sudan forecast the 2006 cereal harvest to be generally good following satisfactory rainfall, and improved security conditions. However, despite the improved food supply situation, food assistance requirements remain as the fragmentation of the regions and absence of normal trade routes exclude easy movement of food commodities from surplus to deficit areas. In central and northern Sudan, harvesting of the 2006 main season cereal crops has just started. Despite floods and insecurity in parts, overall harvest prospects have improved with good rains and an increased area under cultivation. An FAO/WFP Crop and Food Supply Assessment Mission is in northern Sudan to assess the outcome of this year's main season harvest and the food supply outlook for 2006/07 marketing year (November/October). In the **United Republic of Tanzania**, planting of the 2006/07 short "vuli" season crops in the bi-modal northern areas has started. The overall food supply situation is satisfactory. The Government, through the Strategic Grain Reserve (SGR), has set a target for local purchases of over 50 000 tonnes of maize. Cross-border trade in agricultural commodities continued between Kenya and Tanzania, despite an export ban imposed by the Government of the United Republic of Tanzania. In September, a total of

15 000 tonnes of maize was exported from the United Republic of Tanzania into Kenya compared to 9 000 tonnes in August. With the peaking of the harvesting season in Kenya, imports from the United Republic of Tanzania declined in October to only 1 400 tonnes. In **Uganda**, prospects for the 2006 second-season foodcrops, to be harvested from next January, are generally favourable. The current neutral-to-moderate El Niño event conditions, in effect since September, are forecast to prevail until at least the end of the year, which could lead to beneficial above-average rainfall across the country. However, should the wet season extend into the normally dry months of January or February 2007, this could be problematic for crop maturation, harvest and post-harvest storage. Excess rainfall may also cause further flooding and landslides. Hundreds of people were already reported to have been made homeless due to flooding in north-eastern Uganda.

Southern Africa

The 2006/07 agricultural season is underway with heavy rains reported in October and November in south-western Angola, northern Namibia, and parts of Botswana, South Africa, Lesotho and Swaziland. However, as of mid-November, the other areas of the subregion, especially the northern parts, remained generally dry, delaying planting operations. While it is still too early to forecast the extent of the area planted this year in the subregion, in South Africa, a farmers' planting intentions survey indicates that the maize area could expand from last year's reduced level by about 1.2 million hectares to some 2.8 million hectares, encouraged by current high prices.

Harvesting of the subregion's 2006 wheat crop, mostly produced in South Africa, is well advanced and should come to a close by the end of November or early December. Output is preliminarily estimated at 2.5 million tonnes, about 14 percent up from the 2005 harvest. The total includes 2.2 million tonnes in South Africa, 135 000 tonnes in Zimbabwe and 93 000 tonnes in Zambia. Winter crops, mainly wheat, amount to about 12 percent of the total annual cereal output in the subregion. The estimate of the aggregate 2006 maize crop, harvested earlier in the year, has been revised to 14.3 million tonnes, which is about 16 percent down from 2005. However, virtually all of the decline at the subregional level is accounted for by **South Africa**, where output dropped by about 44 percent, to just 6.6 million tonnes, as a result of reduced planting, in response to low prices and high carryover stocks of maize. In sharp contrast, most of the other countries harvested bumper crops, well up from the previous year's levels, reflecting favourable weather during the growing season and subsidized fertilizer distributions in some countries (for example in Malawi and Zambia). In **Zimbabwe**, the output rose dramatically from the drought-affected and economically constrained output of the previous year but remained well below

the pre-crisis average and below requirements. Elsewhere, in **Angola**, cereal output (mostly maize) is estimated to have fallen by 23 percent due to erratic rains and long dry spells in the central and south-western provinces. In **Madagascar**, maize production in the south was also reduced this year compared to 2005 due to dry weather. However, the output of paddy rice, by far the most important crop on the island, increased from the above-average level of 2005. In **Lesotho** and **Swaziland** the total cereal harvest remained below average showing the overall structural decline in this sector.

Reflecting latest production estimates from countries of the subregion, the aggregate cereal import requirement for the 2006/07 marketing year (April/March in most cases) has been revised down to 6.3 million tonnes, about 13 percent lower than in the previous year. If South Africa is excluded, the reduction in the total cereal import requirements of the subregion is more pronounced, declining from the actual imports of 5 million tonnes in 2005/06 to an estimated requirement of about 3.8 million tonnes in 2006/07. Food assistance needs in 2006/07 estimated at about 547 000 tonnes would be lower than the average annual food aid of the previous five years, calculated at about 709 000 tonnes.

Current prices of maize in most deficit countries are much below the corresponding levels a year ago when widespread food shortages were experienced. For example, wholesale white maize prices in the capital city markets in **Zambia** and **Mozambique**, in early November 2006, were about US\$184 and US\$212 per tonne, down from US\$243 and US\$261 per tonne respectively at the same time a year ago. These prices have steadily come down from about US\$354 and US\$390 per tonne, respectively, during the peak of the hunger season in February 2006. On the contrary, in **South Africa**, current

maize prices in dollar terms are higher than the corresponding levels last year, reflecting the 2006 reduced harvest and lower maize supplies. In line with international trend there has been a steady increase in the SAFEX price since September 2005. This increase is likely to continue further through this lean period until the arrival of new harvest in April 2007. Changes in the maize prices in local currency have been a little more pronounced as compared to the changes in US dollar prices as a result of the weakened Rand in South Africa, but less marked in Zambia due to the strengthening of the Kwacha against the US dollar. In Mozambique, variations in the Metical prices have more or less mirrored the changes in the US dollar prices primarily due to this currency's relative stability during this period.

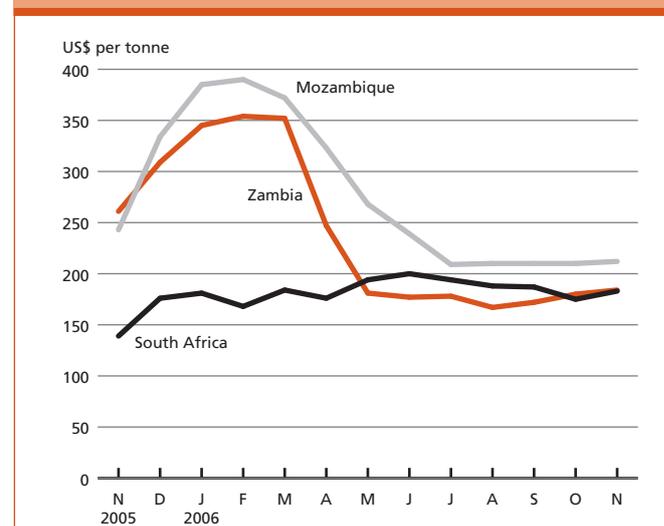
Overall, the food supply in the region this marketing year is quite favourable. In **South Africa**, the subregion's major exporter, supplies of white maize (for human consumption) are estimated at 6.3 million tonnes which, compared with a domestic utilization of 4.3 million tonnes, leaves a surplus of 2 million tonnes. Assuming the level of the strategic reserves at about 600 000 tonnes, the potential exportable surplus of white maize from South Africa is likely to be about 1.4 million tonnes. In addition, some sizeable exportable quantities are estimated from **Malawi** (200 000 to 350 000 tonnes), **Zambia** (180 000 to 280 000 tonnes) and **Mozambique** (150 000 to 250 000 tonnes) after accounting for a build-up of stocks in each of these three countries to a level of about 100 000 tonnes. Thus in aggregate, the regional surplus is more than enough to cover the commercial import requirement of the other maize deficit countries in the subregion estimated at about 1.3 million tonnes. Also, significant quantities are available for local and regional purchases of food aid for distribution in the region

Table 8: Import requirements and current import position (as of 16/11/2006), for Southern Africa, excluding South Africa and Mauritius, 2006/07

	Import Requirements ('000 tonnes)	Covered Imports	
		('000 tonnes)	(%)
Total Cereals			
Total	3 459	1 362	39%
Commercial	2 912	1 086	37%
Food Aid	547	276	50%
Maize			
Total	1 224	547	45%
Commercial	940	483	51%
Food Aid	284	64	22%

* Marketing year mostly April/March.
Source: FAO/GIEWS estimation.

Figure 6. White maize wholesale prices



Asia

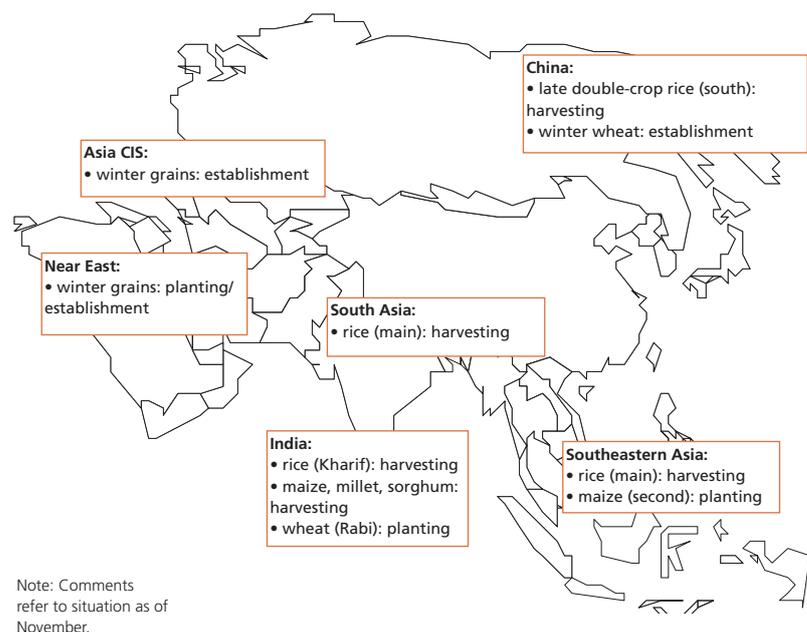
Far East

Harvesting of the 2006 coarse grains is complete or drawing to a close. Based on recent information, the aggregate maize output is forecast at 191.3 million tonnes, some 3 million tonnes higher than the 2005 level. Harvesting of the 2006 secondary spring/summer wheat crop has just been completed, while the main winter crop was gathered earlier in the year. The aggregate wheat output of the subregion is estimated at 198.1 million tonnes, 6.6 million tonnes above last year's record output. Most of the increase of both wheat and maize outputs comes from China. Excluding this country, the subregion's aggregate 2006 maize and wheat outputs remain unchanged from the good levels of 2005. Harvesting of the 2006 main paddy crops is well advanced. The 2006 aggregate output of paddy rice is put at 564.7 million tonnes, revised down 5.5 million tonnes from the previous forecast. The adjustment is mainly due to the changes in India in order to reflect recent official estimates. At this level, the paddy output of the subregion is only marginally smaller than last year's record production, and about 5 percent above the five-years average. Planting of the 2007 wheat crops is underway in countries in the northern hemisphere including China, Pakistan, Iran and Iraq. Early prospects are mixed.

In **China (Mainland)**, harvesting of the late rice, spring wheat and maize crops has been complete. The estimated 2006 aggregate paddy production has been revised downward to about 180.7 million tonnes, reflecting the drought impact in Sichuan, Chongqing and Hubei Provinces. At this level, production is almost unchanged from last year's crop. The aggregated 2006 wheat output is estimated at 103 million tonnes (winter wheat 97.8 million tonnes and spring wheat 5.16 million tonnes), some 6 percent higher than in 2005. The 2006 maize output is estimated at 142 million tonnes, 2.6 million tonnes up from last year and 17.8 million tonnes above the five-year average. Overall, China's 2006 cereal output is estimated to increase by about 2 percent from last year. As a result, the country will be a net cereal exporter in 2007, while closing stocks are expected to increase in 2006/07. The planting of the 2007 winter wheat has been completed. Weather conditions in the main producing provinces of Heber, Henna and Shandong have been somewhat unfavourable so far for crop establishment with unseasonably dry and warm conditions. At the same time the profitability of planting wheat relative to cotton is also unfavourable which may have resulted in

planting reductions. In **India**, based on official reports, the 2006 paddy production forecast has been revised down by 5 million tonnes from the previous report to 135 million tonnes, and the aggregate 2006 cereal production would be marginally lower than last year's good level. With the arrival into the country of some 6 million tonnes of wheat imports, or half the quantity contracted, the supply and stock situation is improving. Planting of 2007 Rabi season wheat is underway. In order to encourage production, the Government increased the minimum support price for wheat by Rs.1000 (US\$22) per tonne and the wheat area is reported to have increased in every state.

Harvesting of the main 2006 rice crop in **Thailand** started in October and the 2006 aggregate paddy output is forecast at 29.7 million tonnes, slightly below the last year's record of 30 million tonnes. The forecast of the 2006 rice exports remains at 7.5 million tonnes, while exports in 2007 are expected to increase to 8.8 million tonnes in response to the newly-lowered government intervention prices, which should increase Thai rice's competitiveness in the world market. The 2006 paddy production in **Viet Nam** is forecast at 36.2 million tonnes, virtually unchanged from the record 2004 production, despite reported crop losses from recent pest infestation in southern Viet Nam. The government has suspended exports until January 2007 to ensure enough domestic supplies. Viet Nam, the world's second biggest rice exporter, behind Thailand, exported some 4.4 million tonnes of rice in the first 10 months of this year. In Pakistan, the 2006 paddy output has been revised up to a record 8.4 million tonnes reflecting the better water availability, and exports in 2007 are forecast at 3.5 million tonnes. Similarly, record outputs of rice and maize are expected in the **Philippines** due to favourable weather conditions in 2006.



Despite the overall record cereal production in the subregion, food difficulties persist at national or subnational levels. Heavy monsoon rains and a severe typhoon season from August to October triggered flooding and landslides in many countries. Heavy rains and floods in south-western **Bangladesh** (Jessore, Satkhira and Khulna districts) left thousands of families homeless, who were moved to temporary shelters. Crops and shrimp fields were reported to be severely damaged in these areas. In **Pakistan**, the monsoon rains began earlier and lasted longer than usual, resulting in floods that killed hundreds of people, destroyed property, crops, livestock and household food stocks. Similarly in many parts of **India**, annual monsoon rains triggered rounds of flooding resulting in loss of life, displacement of millions of people and damage to livestock and vast areas of crops. In **Thailand**, the worst floods since 1995 seriously affected about 47 of the country's 76 provinces. The **Philippines**, **Sri Lanka** and **China** have also been severely affected by floods this year.

In **Nepal**, the 2006 rice crop being harvested is forecast 10 to 15 percent lower than in 2005. The maize crop, harvested until September, is estimated to have declined from last year as a result of drought, floods and landslides during the summer crop season. It is reported that several areas, such as southwest Dolpa and southern parts of Siraha and Saptari are in an acute food crisis situation. The total number of people estimated at risk of food insecurity is almost 900 000. However, a positive development is the recent peace agreement between opposing parties, which is expected to end the ten-year-old conflict that has claimed at least 12 500 lives and resulted in widespread food insecurity. The food emergency situation in **Timor-Leste** remains significant, but

ASIA: Countries in crisis requiring external assistance and main reasons (12)

Exceptional shortfall in aggregate food production/supplies

Armenia Drought

Widespread lack of access

Afghanistan Conflict, IDPs and returnees, localized drought
 Georgia External trade constraints
 Iraq Conflict and insecurity, IDPs
 Korea, DPR Economic constraints, floods
 Mongolia Multiple years of adverse weather
 Nepal Civil strife and drought
 Timor-Leste Civil strife

Severe localized food insecurity

Bangladesh Floods
 Indonesia After effects of the Tsunami and earthquakes
 Pakistan After effects of the Kashmir earthquake, floods
 Sri Lanka After effects of the Tsunami, deepening conflict and floods

Note: For explanation of terminology see back cover.

has reportedly improved with a better security situation following an increase in the number of UN police. In **Sri Lanka**, despite a record cereal crop in 2006, hundreds of thousands of people in the north and east have no access to food due to the continued fighting in the country. Some 130 000 displaced people have reportedly been cut off from international aid distributions. Overall, there are some 600 000 to 800 000 IDPs in the country due to civil strife and the December 2004 tsunami. In **DPR Korea**, harvesting of the 2006 main season cereal crops was completed

Table 9. Asia cereal production (million tonnes)

	Wheat			Coarse grains			Rice (paddy)			Total Cereals		
	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast
Asia	255.6	263.2	270.8	232.7	246.6	249.7	549.5	570.9	570.4	1 037.8	1 080.7	1 090.9
Far East	187.6	191.5	198.1	208.1	221.0	224.1	544.5	565.7	564.7	940.2	978.2	986.9
Bangladesh	1.3	1.1	1.0	0.3	0.5	0.5	37.7	39.8	41.0	39.3	41.4	42.5
China	92.0	97.4	103.0	140.4	150.4	153.0	180.5	182.1	182.2	412.9	429.9	438.2
India	72.2	68.6	69.5	33.6	34.6	34.3	124.7	136.6	135.0	230.4	239.8	238.8
Indonesia	0.0	0.0	0.0	11.2	12.5	12.1	54.1	54.2	54.7	65.3	66.7	66.8
Pakistan	19.5	21.6	22.0	3.3	3.8	3.8	7.5	8.3	8.4	30.3	33.7	34.2
Thailand	0.0	0.0	0.0	4.4	3.7	4.0	28.5	30.0	29.7	33.0	33.7	33.7
Viet Nam	0.0	0.0	0.0	3.4	3.8	3.8	36.2	35.8	36.2	39.6	39.5	40.0
Near East	46.2	48.2	47.7	19.9	21.4	20.9	4.3	4.6	5.0	70.4	74.2	73.6
Iran (Islamic Republic of)	14.0	14.5	14.5	4.4	4.4	5.2	3.1	3.3	3.6	21.5	22.2	23.3
Turkey	21.0	20.5	20.5	12.6	13.4	12.5	0.5	0.5	0.6	34.1	34.5	33.6
CIS in Asia	21.7	23.3	24.9	4.6	4.2	4.7	0.7	0.6	0.7	26.9	28.2	30.3
Kazakhstan	9.9	11.5	13.1	2.4	2.2	2.6	0.3	0.3	0.3	12.6	14.0	16.0

Note: Totals computed from unrounded data.

in October. The 2006 cereal output is estimated lower than in the previous year, reflecting floods in July and October in parts of the country. The total cereal import requirement in 2006/07, including commercial imports and food aid, is expected to be at least 1 million tonnes. A joint United Nations (FAO/UNICEF/UNDP) food security assessment mission visited **Mongolia** from 2 to 18 October. The 2006 wheat crop, collected in October/November, is estimated at some 130 000 tonnes, doubling last year's drought-affected level. However, consumption of wheat, the main staple in the country, is dependent on commercial imports and food aid and the import requirement for 2006/07 is estimated at 230 000 tonnes. While wheat supplies are stable, supply of meat is tight and market prices have been surging in last couple of years reflecting the lingering effects of harsh winters and drought from 1999 to 2002 (see special feature).

Near East

Planting of the 2006/07 winter crops is underway or about to start in most countries of the subregion and will continue until the end of the year in parts. Most countries harvested average to above-average cereal crops last summer reflecting favourable growing conditions. However, in **Afghanistan**, drought almost entirely decimated rainfed cereals in some northern and western parts of the country, and significantly reduced irrigated wheat yields. Severe food shortages and movement of people in search

of food in some parts of the country have already been reported. The Government has appealed for external assistance. In addition, heavy rains and floods in western parts in late November have affected 50 000 families along the Murghab River.

Asian CIS

Winter cereal planting conditions have been favourable and about-average planted areas are expected. Winter cereals, in particular wheat, are the most important crops in the subregion, with the exception of Kazakhstan, where most of the cereals are spring sown. The subregion's 2006 aggregate cereal output is estimated at more than 30 million tonnes, some 2 million tonnes up from the 2005 harvest. This aggregate includes nearly 25 million tonnes of wheat and 4.7 million tonnes of coarse grains (mainly barley and maize). **Kazakhstan**, the region's main producer and exporter, is set to export some 5.3 million tonnes of cereals during the 2006/07 marketing year.

However, while the aggregate 2006 harvest was satisfactory, some countries in the subregion suffered localized drought. Cereal and other crops in **Armenia** and **Georgia** were affected following drought during early summer. Following recent strained relations between Georgia and the Russian Federation, the former may suffer increased food insecurity through reduced levels of remittances, trade and energy supplies.

Latin America and the Caribbean

Central America and the Caribbean

In **Mexico**, harvesting of the 2006 main rainfed summer maize and sorghum crops is well advanced and should be mostly completed by the end of the year. The country's aggregate coarse grains output in 2006 (crops planted fall/winter 2005/06 and spring/summer 2006) is forecast at about 28.8 million tonnes, almost 10 percent up from the previous year as a result of an expansion in plantings. Abundant rains in August and September helped to restore soil moisture and improved levels of water reservoirs in the irrigated areas of the northwest, where sowing of the important winter 2006/07 wheat crop is about to start.

In the other Central American and Caribbean countries, harvesting of the 2006 second season "postrera" cereal and bean crops is underway. Aggregate maize (first and second season crops) production is provisionally forecast slightly above average, largely due to abundant rains during July and August that were beneficial for the first season crop yields. However, "postrera" rains have been lighter than normal and with irregular distribution in some areas, such as central Honduras, west Nicaragua and northwest

Costa Rica, and may lead to a downward revision of the current aggregate production forecast. Despite the overall good prospects, in **Honduras**, 2006 maize production is expected to be about 6 percent below the average of the past five years as a consequence of a prolonged dry period that affected parts of Olancho, Francisco Morazan and El Paraiso departments during the second half of the first season. In **Nicaragua**, land is being prepared for planting the third "apante" season crops but the outcome is uncertain as there are some concerns over insufficient moisture. The apante season is the most important for bean production, accounting for about 50 percent of the annual production.

LATIN AMERICA AND THE CARIBBEAN: Countries in crisis requiring external assistance and main reasons (2)

Widespread lack of access

Haiti Insecurity, economic crisis

Severe localized food insecurity

Honduras Adverse weather

Note: For explanation of terminology see back cover.

In **Haiti**, and the **Dominican Republic**, harvesting of second season paddy crops is about to start and production prospects are good following beneficial abundant and well-distributed rains during the hurricane season that has just finished.

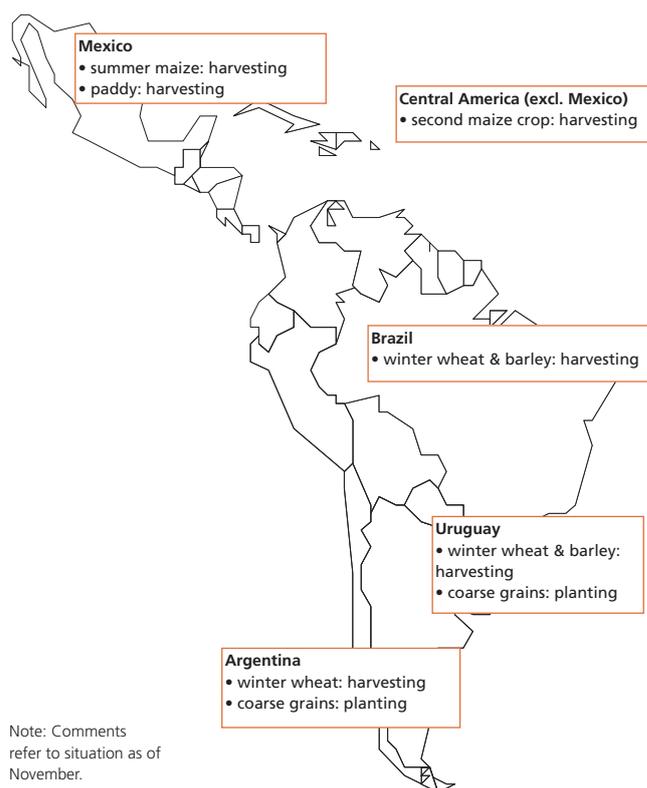
The 2006 aggregate cereal output of the subregion is estimated by FAO at 38.5 million tonnes, about 2.9 million tonnes above the previous year's level and about 1.7 million tonnes below the average of the last five years, mainly reflecting Mexico's good performance.

In **Guatemala** and **El Salvador**, food assistance from the international community continues to be delivered to rural families and communities affected by hurricane "Stan" during October 2005. Food aid is also distributed to the most vulnerable population in **Nicaragua** and **Honduras**. In **Haiti**, torrential rains in late November resulted in floods in the north-west region of Port-de-Paix, which was severely hit by floods in 2005.

South America

In South America, harvesting of the 2006 winter wheat crop has just started in key growing areas of **Argentina** and **Uruguay**, while it is well advanced in central and southern states of **Brazil** and in eastern **Paraguay**. Aggregate wheat production for the subregion is preliminarily forecast at 18.7 million tonnes, the lowest level since 2002. This is largely due to the record low output in **Brazil**, where area planted decreased sharply in response to low profitability of wheat in the past years, and yields were negatively affected by dry weather conditions at the beginning of the season in key growing states of Parana, São Paulo and Mato Grosso do Sul, as well as by low temperatures and frosts at the beginning of September. The same factors have negatively affected the production of winter barley and oats crops. Below average wheat crop production is also expected in **Chile** and **Paraguay** as a consequence of reduced plantings in response to low domestic prices and unfavourable weather conditions at planting time.

In **Argentina**, timely precipitation since the beginning of October has restored soil moisture in central and southern key



growing areas, with a positive impact on yields and production prospect after a prolonged dry spell in August. However, lower yields than last year are still expected in centre-north departments. Wheat production is officially forecast at 13.5 million tonnes, above last year's drought-reduced output but almost 5 percent below the five-year average.

After a slow start at the end of September due to limited soil moisture in some growing areas, planting of the 2007 main season coarse grain crops is well underway in **Argentina**, **Brazil**, **Bolivia**, **Chile** and **Uruguay**. Planting intentions point to an aggregate sown area of about 18 million hectares in the subregion, slightly above the previous year.

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

	Wheat			Coarse grains			Rice (paddy)			Total Cereals		
	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast
Latin America & Caribbean	27.7	23.7	21.9	108.3	103.1	106.3	25.7	26.4	25.0	161.7	153.2	153.2
Central America & Caribbean	2.4	3.0	3.2	33.5	30.2	32.8	2.3	2.3	2.5	38.2	35.6	38.5
Mexico	2.4	3.0	3.2	29.7	26.2	28.8	0.3	0.3	0.3	32.4	29.5	32.3
South America	25.3	20.7	18.7	74.8	72.9	73.6	23.3	24.1	22.5	123.5	117.6	114.7
Argentina	16.0	12.6	13.5	18.7	24.5	18.1	1.1	1.0	1.2	35.7	38.0	32.8
Brazil	5.8	4.7	2.3	44.9	37.5	44.3	12.8	13.2	11.6	63.5	55.4	58.1
Colombia	0.0	0.0	0.0	1.6	1.7	1.5	2.7	2.5	2.3	4.4	4.2	3.8

Note: Totals computed from unrounded data.

North America, Europe and Oceania

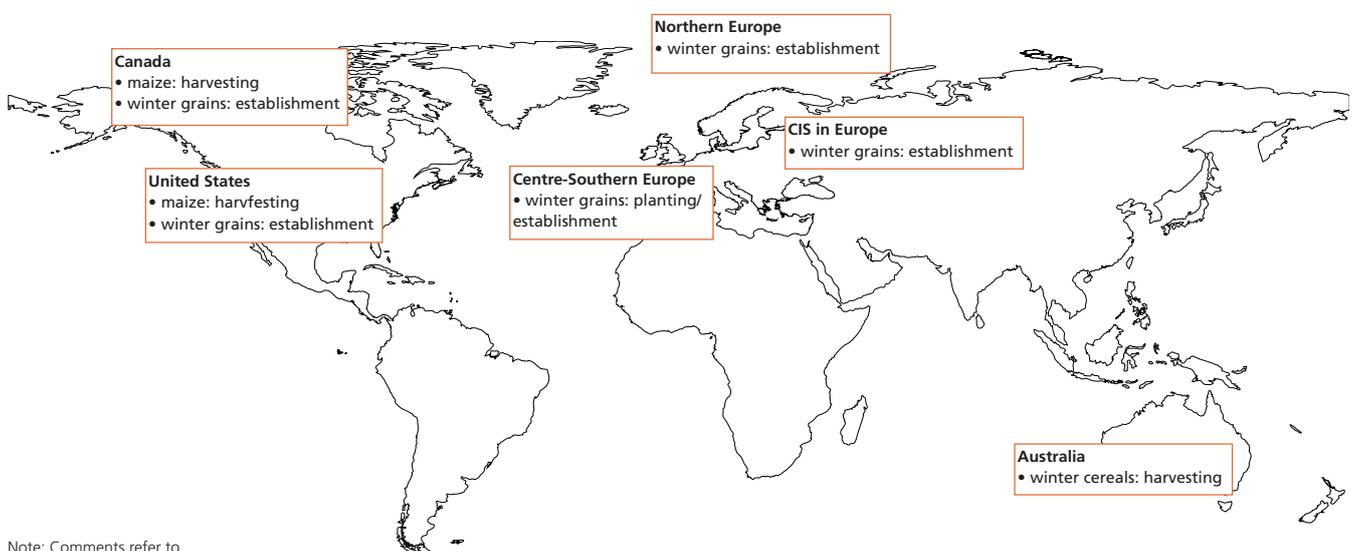
North America

Planting of the **United States'** winter wheat crop for harvest in 2007 was 96 percent complete by mid-November, similar to the 5-year average, and the condition of the young crops is reported to be mostly fair to excellent. Unofficial estimates indicate that the wheat area may have expanded by as much as 5 percent to about 17.2 million hectares. The estimate of the aggregate 2006 wheat output has been revised up marginally since the last report, taking into account results of the last of the spring crops to be gathered, and now stands at 49.3 million tonnes, although still 14 percent down from the previous year's level. However, regarding coarse grains, which are still being harvested in some parts, the latest estimate has been revised downward. Yields of maize in parts of the Corn Belt are turning out lower than anticipated earlier because of persisting hot and dry conditions during the summer. In **Canada**, the cereal harvest in the major producing areas in western Canada was completed well ahead of normal but as of early November, rain was reported to be delaying the final stages of the maize harvest in eastern parts. Latest official estimates put the 2006 wheat output at 26.3 million tonnes, about 2 percent down from last year's bumper crop but still well above the five-year average. The reduction is the result of a sharp drop in durum wheat production, which more than offset increased output of other wheat types. Regarding barley, the second most important cereal, a further reduction in area, for the third year in succession, and a return to near-average yields after last years good level, has led to an estimated 20 percent drop in production.

Europe

The bulk of the 2006 cereal crops have now been gathered throughout the region and the 2007 winter grain planting has mostly been completed. The estimate of 2006 aggregate cereal output in the **EU** stands at 250.5 million tonnes, almost 3 million tonnes down from the forecast in September and about 10 million tonnes less than in 2005. The latest adjustment follows collection of firmer estimates after the completion of harvests in several member states. While hot and dry conditions deteriorated output prospects as the season progressed in several large producing countries including **Hungary, Poland, Italy, Germany** and **France**, the decrease was partially offset by a sharp recovery in output in **Spain** and **Portugal**, where drought had devastated crops in the previous year. Regarding the winter grains that have just been planted for harvest in 2007, early indications are favourable. Areas are expected to have increased, especially for wheat, and conditions are reported to be generally favourable for the establishment of crops before winter dormancy.

The **Balkan** countries also gathered smaller cereal crops in 2006. Wheat output estimates have remained unchanged since the previous report, with this year's reduced output mostly reflecting the impact of harsh winter weather on plantings and yields. For coarse grains, the maize harvest is still in the final stages in some parts or is just completed, and results have been poorer than earlier expectations. In **Romania**, the latest estimate puts the maize harvest at just 8.7 million tonnes, compared to 9.9 million tonnes last year and an average of 10.3 million tonnes over the past 5 years. Regarding the winter grain crops just planted, although firm estimates are not yet available, early indications point to a significant increase in area.



Note: Comments refer to situation as of November.

In the **European CIS (the Russian Federation, Ukraine, Belarus and Moldova)**, with the possible exception of some maize crops, the 2006 cereals have all been gathered and the bulk of the winter cereals for harvest next year have been planted. Conditions for crop establishment are by and large reported to be favourable throughout the main producing areas, the main exception being Russia's Southern District, where soil moisture is reported to be less than optimum after particularly dry weather in August and September. Early indications suggest that the area sown to winter grains in the Russian Federation is similar to or slightly larger than that of the previous year, while a sharp recovery is estimated in Ukraine after last year's reduced plantings.

Latest estimates put the 2006 aggregate cereal output in the subregion at 115.5 million tonnes, nearly 7 million tonnes down from 2005. An unusually cold winter and thin snow cover compromised the wheat crop in the Russian Federation and the Ukraine by about 10 percent and 26 percent, respectively, compared with the previous year. The coarse grains, being mainly spring sown, fared better in 2006, and aggregate output in the four countries is estimated at more than 56 million tonnes, up by 2.8 million tonnes from 2005. Aggregate cereal exports from the region during the 2006/07 marketing year are forecast at about 18 million tonnes, 7 million tonnes down on 2005/06 marketing year. Of this, wheat is expected to account for some 9.7 million tonnes and barley for 6.6 million tonnes. Aggregate cereal imports to the region during the 2006/07 marketing year are forecast at about 2.6 million tonnes, similar to the volume imported in the previous marketing year.

EUROPE: Countries in crisis requiring external assistance and main reasons (1)

Severe localized food insecurity

Russian Federation Conflict (Chechnya)

Note: For explanation of terminology see back cover.

Oceania

Australia's 2006 winter grain harvest has been severely reduced by drought. In a special report issued in late October, ABARE forecast the 2006 wheat crop at just 9.5 million tonnes, almost 7 million tonnes down from the forecast a month earlier, 15.6 million tonnes below last year's bumper level, and the smallest crop since 1994. The forecast for barley output has also been reduced dramatically since the previous report, to about 3.6 million tonnes, which would be 64 percent down from 2005. As of late October the harvest had already started in some parts and it is now considered to be generally too late for any rainfall, should it arrive, to change the current outlook for the winter crops. With soil moisture reserves very depleted, the prospects for the summer crops depend more than normal on the actual rainfall during planting and early development. However, the rainfall outlook for this period (November-January) is unfavourable, with drier than normal conditions forecast in south east Queensland and northern New South Wales.

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

	Wheat			Coarse grains			Rice (paddy)			Total Cereals		
	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast	2004	2005 estim.	2006 f'cast
North America	84.6	84.1	75.6	346.6	325.4	308.9	10.5	10.1	8.8	441.7	419.6	393.3
Canada	25.9	26.8	26.3	26.7	26.3	23.4	0.0	0.0	0.0	52.6	53.0	49.7
United States	58.7	57.3	49.3	319.9	299.1	285.5	10.5	10.1	8.8	389.1	366.5	343.6
Europe	219.5	207.2	188.7	245.4	214.4	210.2	3.4	3.4	3.3	468.4	425.0	402.2
EU	137.5	123.6	117.6	152.1	134.3	130.3	2.8	2.7	2.5	292.4	260.6	250.5
Romania	7.8	7.3	5.3	16.8	11.5	9.9	0.0	0.0	0.0	24.5	18.9	15.3
Serbia	2.8	2.0	1.9	7.1	7.5	6.2	0.0	0.0	0.0	9.9	9.5	8.1
CIS in Europe	64.8	68.5	58.6	60.3	53.4	56.2	0.6	0.7	0.7	125.6	122.5	115.5
Russian Federation	45.4	47.7	43.1	30.3	28.3	29.5	0.5	0.6	0.6	76.2	76.5	73.2
Ukraine	17.5	18.7	13.8	23.1	18.6	20.3	0.1	0.1	0.1	40.7	37.4	34.3
Oceania	22.2	25.4	9.9	12.7	15.0	8.3	0.6	0.3	1.1	35.4	40.8	19.2
Australia	21.9	25.1	9.5	12.1	14.5	7.7	0.5	0.3	1.0	34.6	39.9	18.3

Note: Totals computed from unrounded data.

Special features

Mongolia food supply and security situation

At the request of the Ministry of Food and Agriculture of Mongolia, a UN Joint Mission comprising FAO, UNICEF and UNDP visited the country from 2 to 20 October 2006 to undertake a rapid assessment of the food security situation.

The overall economic context for food security is favourable, with the economy growing at a steady rate since 2004 and mining exports soaring supported by record prices of minerals. The agriculture sector, based on a traditional nomadic pastoral system, remains an important component of the national economy, comprising about 22 percent of GDP, employing 40 percent of the total labour force and accounting for 44 percent of the total exports. The population of Mongolia was estimated at 2.562 million inhabitants in 2005. The country has experienced a rapid urbanization process in recent years, with rural population declining from 2001 to 2005 and that of the capital city growing at an annual average rate of 4.5 percent. By 2005, 60 percent of the population was considered urban including people living in Ulaanbaatar and in the provincial capitals. Rural population includes nomadic herders and farmers (two-thirds of the rural population) and people living in the district capitals.

High levels of self-consumption in rural areas

Flour, meat and milk products are the main food staples of Mongolia. According to estimations made in the framework of the national "Household Income and Expenditure Survey/Living Standards Measurement Survey 2002/03", these three products cover some 86 percent of the average daily caloric intake. Although consumption of animal products is among the highest in the world, cereals are the main source of energy providing some 55 percent of the daily intake. Despite rapid increases in consumption of potatoes, vegetables and fruits in recent years, particularly in urban areas, the diet of Mongolians remains deficient in these products. There are marked disparities in the consumption patterns between rural and urban populations. Nomadic families consume a wide range of customary meat and milk products (there are over 500 different dairy products), which are prepared and stored in the household using traditional processing techniques. Based on self-production, rural people consume in average three to five times more milk and dairy products than people in the cities, about 50 percent more meat products and only slightly less flour products. Consequently, the average daily calorie intake in rural areas is estimated to be some 15 percent higher than in urban areas. By contrast, consumption

of potatoes and vegetables in rural areas is only one-third to one-half that in the cities.

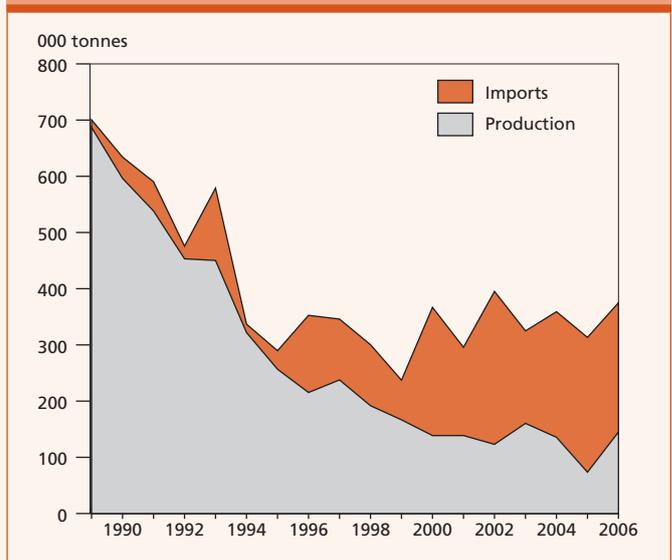
Production of main food staples recovering in past years

Wheat is the main crop in Mongolia. Production has declined steadily since 1990 following the break-up of the Soviet Union and the subsequent loss of massive government subsidies. As a result, commercial imports and food aid of wheat and wheat flour have increased (Figure 7). In the past five years, domestic wheat output has met in average 40 percent of the consumption requirements.

As a result of severe drought during the 2005 cropping season, Mongolia gathered only 74 000 tonnes of wheat, the lowest crop on record, and imported an estimated 251 000 tonnes in 2005/06 marketing year (October/September). Production recovered this year mainly reflecting favourable weather in the major growing areas. The Mission visited the North-Central growing provinces of Selenge, Bulkan, Tov and Darkhan-Uul, where yields have been reportedly double the levels of last year. The 2006 output is tentatively estimated at 145 000 tonnes and is expected to cover 45 percent of the consumption needs in marketing year 2006/07. The import requirement, including commercial import and food aid in 2006/07 is expected to decrease to 230 000 tonnes.

The livestock sector suffered successive harsh winters (Dzud in local language) and summer droughts from 1999-2002 which caused the loss of about 10 million camels, horses, cattle, sheep and goats, or some 30 percent of the total livestock numbers, prompting migration to the cities of large section of the rural population. The sector has recovered since 2004 and preliminary estimates point to numbers of animals in 2006 similar to the 1999

Figure 7. Mongolia wheat production and imports



record levels. This is the result of successive years of favourable weather conditions, investments in response to improved returns for animal products as well as low animal take-off. It is worth noting, however, that in bod¹ terms the number of animals is some 30 percent lower than in 1999, mainly due to the increasing share of goats in the total, which has given rise for concern about pressure on pasture resources. (Table 12).

The country is self-sufficient in meat and has an exportable surplus. Following the sharp decline from 2001 to 2003, production of meat has recovered in the past two years, but by 2005 still remained 38 percent below the level of 2000 and exports are very limited. This mainly reflects herder's risk minimization strategies, aiming to build up animal numbers to pre-1999 figures, but also changes in the herd composition in terms of size (larger number of small animals).

Mongolia used to be self-sufficient in milk in the socialist period. Similar to the rest of the food sector, the dairy industry collapsed during the abrupt transition from State to private ownership in the early 1990s. The decline of the national herd in 2000-2002 resulted in the plummeting of the milk production and the import of almost all the milk and milk products sold in urban markets. Total milk production has been recovering

markedly since then and by 2005 production of milk was only 10 percent lower than in 2000. While most of the processed milk is still imported, due to the limited connection between producers and urban consumers, the formal milk and dairy sub-sector is also reviving and the component of domestic produced milk in the milk industry has increased from some 3 percent in 2003 to about 7 percent in 2005.

Availability of foodstuffs in the markets is good and prices are stable (except for meat)

Markets in Mongolia have a particular importance for access to food since the majority of the population lives in urban areas (some 60 percent) and are buyers of food. In rural areas, herders are self-sufficient in meat and dairy products but need to acquire all other food products, in particular flour, an important component in their diets. Trade liberalization has contributed to improve availability and stability of food supplies. Markets throughout the country are well-stocked with food products, including wheat flour, rice, vegetables and fruits. Prices of most basic foods, except meat, have remained stable or have declined since 2000 in real terms. While the decline in prices of basic food has overall favoured access to food, the largest reductions have been in prices of flour products and vegetables, which are the main staples of the low-income groups of population. The improvement of the terms of trade between meat/flour and meat/potatoes has also benefited herder populations' access to food.

¹The purpose of the bod scale is to calculate the size of the herd by transforming all animals into equivalent horses. One horse is assumed to be the same as one cattle (cow or yak), 0.67 camels, six sheep or eight goats.

Table 12. Mongolia: Livestock numbers and output of animal products

	1980	1990	1999	2000	2001	2002	2003	2004	2005
Livestock numbers (000 head)									
Camel	592	537	356	323	285	253	257	257	264
Horses	1 985	2 262	3 163	2 661	2 192	1 989	1 969	2 005	2 029
Cattle	2 397	2 849	3 825	3 098	2 070	1 884	1 793	1 841	1 964
Sheep	14 231	15 083	15 191	13 876	11 937	10 637	10 756	11 687	12 885
Goat	4 567	5 126	11 034	10 270	9 591	9 135	10 653	12 238	13 267
Total	23 771	25 857	33 569	30 227	26 075	23 898	25 428	28 028	30 399
Total in bod* equivalent (000 head)	8 208	9 067	11 430	9 837	7 876	7 165	7 270	7 707	8 193
Livestock output (000 tonnes slaughter weight)									
Total Meat	234	249	289	311	226	204	153	199	193
Beef	71	66	105	113	67	61	44	52	49
Mutton and goat	116	132	129	120	105	95	81	98	95
Milk	226	316	467	376	290	277	292	329	335
Eggs (million units)	21	38	10	7	8	4	7	16	21
Trade of main livestock products									
Milk Powder imports (tonnes)	na	1 038	365	346	1 385	835	na	na	na
Meat exports (000 tonnes)	na	24	15	17	20	23	15	8	8
Intestine exporte (000 rolls)	na	2 164	1 025	870	368	316	223	278	295
Edible meat offal Export (tonnes)	na	na	3 151	812	3 430	1 629	887	6	404

*See footnote one of text.

Source: Joint FAO/UNICEF/UNDP Mission Report.

Meat prices in domestic markets are well below those in the world market, highlighting the country's export potential, but also the difficulties to import in time of crisis. Meat prices have been increasing significantly in the past three years reflecting the reduced meat supply. As a result of the long and cold Mongolia winter, there is marked price seasonality with prices of meat and vegetables increasing in spring months, and those of milk rising in winter (Figure 8).

Satisfactory food consumption at national level

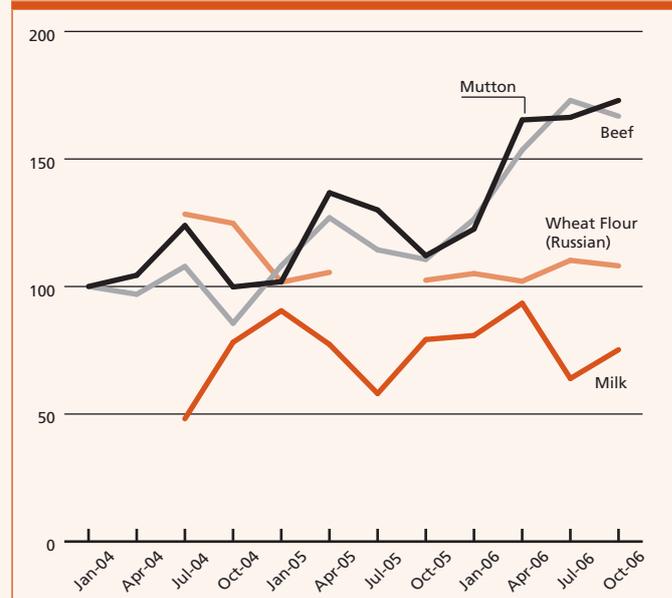
At national level, the food security situation is satisfactory. Average per capita annual consumption of basic foods has augmented since 2000¹. Rates of meat and dairy products intake at 100 kg/pc/year and 140 kg/pc/year respectively in 2005 are high by regional standards, while that of wheat stands at 119 kg/pc/year. Nutritional indicators have also shown general positive trends, with declines in child malnutrition rates in recent years, although micro-nutrient deficiencies persist.

Poor people living in the cities are the most food insecure

The bright panorama at national level hides the vulnerability and food insecurity of large numbers of population. The most food insecure people are the poor in the cities: Ulaanbaatar and the provincial and district capitals. These populations have basically no animals (or have very limited numbers) and their livelihood depends on cash incomes. The main cause of their food insecurity is insufficient purchasing power to buy food. The poor households are mostly people who lost animals and migrate to cities, where rates of unemployment and underemployment are very high. Lack of education and skills of migrants from the countryside make it difficult for them to find a job in the new environment. The poor households derive their living from temporary jobs and provision of services, social benefits, and gifts from wealthier families. Seasonal labour patterns prevail and during colder months, little to no working opportunities are available. In this period, the pressure on families' financial resources is also augmented by the rising living costs as heating is needed as much as food during the winter. The poorest strata of the cities' population cannot afford to consume meat or milk and their diets are based on flour products, potatoes and vegetables. Moreover, their access to food is unstable as coping mechanisms of poor in the cities include skipping meals during the day or having them once every two days.

¹ National Statistic Office: "Mongolian Statistical Yearbook", 2000 to 2005.

Figure 8. Price indices of major foodstuffs in Ulaanbaatar (January 2004 = 100)



Herders and farmers are generally food secure but the most vulnerable

Herder population, accounting for two-thirds of the rural population and some 28 percent of the national total, appears to have an adequate food security situation. In general, this population has a sufficient intake of food, which includes wheat, meat and milk. Nevertheless, herders show micro-nutrient deficiencies because of poor diet diversification. The farmer population is concentrated in Central provinces where they mainly cultivate wheat and vegetables on a commercial basis. Their food security situation is also satisfactory. At the same time, however, the high risk of extreme weather changes, mainly dzuds and droughts, coupled with the lack of livelihood diversification, make herders and farmers the most vulnerable group of the population. Large sections of these populations can become destitute and food insecure from one season to the next if livestock is lost. This is particularly the case for poor households (commonly defined as those having 25 or less heads), which represent about one-quarter of the total herder population. Poor herders are also subject to temporary food insecurity in early spring when winter stocks of meat and milk products are exhausted and pastures have not yet regenerated.

While the vulnerabilities and risk of rural and urban populations are different, there is a continuity between vulnerability in agricultural areas and food insecurity in the cities. The urban food insecure people are often vulnerable herders who lost their animals and migrated to city areas in search of a job but remained unemployed.

Statistical appendix

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Table A1. Selected cereal market indicators

	Average 1999/00 -					2006/07 Forecast as of	
	2003/04	2002/03	2003/04	2004/05	2005/06	Oct.	Nov.
1. Ratio of World Stocks to Utilization							
<i>Wheat</i>	36.3	33.7	26.0	28.2	28.1	24.1	23.2
<i>Coarse Grains</i>	20.3	17.0	15.1	19.3	18.6	16.2	14.9
<i>Rice</i>	33.0	29.2	25.5	23.8	25.0	24.8	24.4
<i>Cereals (total)</i>	27.9	24.7	20.5	22.9	22.8	20.4	19.4
2. Ratio of Five Major Grain Exporters Supplies to Normal Market Requirements							
	1.2	1.1	1.2	1.4	1.3	1.2	1.2
3. Closing Stocks as a percentage of Total Disappearance of Major Exporters							
<i>Wheat</i>	20.4	18.6	17.0	21.7	23.1	15.2	13.8
<i>Coarse Grains</i>	15.0	13.1	10.8	19.0	17.7	12.8	10.5
<i>Rice</i>	21.6	15.7	15.9	13.2	15.7	16.3	15.0
<i>Cereals (total)</i>	19.0	15.8	14.5	18.0	18.8	14.7	13.1
	Annual Trend Growth Rate		Percentage Change from Previous Year			2006 Forecast as of	
	1996-2005	2002	2003	2004	2005	Oct.	Nov.
4. Changes in World Cereal Production							
	0.9	-3.8	3.4	9.2	-1.2	-1.6	-2.7
5. Changes in Cereal Production In the LIFDCs							
	0.7	-2.0	2.9	3.3	4.7	2.1	2.1
6. Changes in Cereal Production in LIFDCs less China and India							
	2.3	2.9	8.4	-0.8	6.1	2.4	3.5
	Average 1999/00		Percentage Change from Previous Year			2006/07 Forecast as of	
	2003/04	2002/03	2003/04	2004/05	2005/06	Oct.	Nov.
7. Selected Cereal Price Indices:							
<i>Wheat (July/June)</i>	105.7	21.3	-1.1	-1.0	5.2	16.8	18.7
<i>Maize (July/June)</i>	98.8	18.6	7.1	-15.2	6.4	17.8	26.1
<i>Rice (Jan/Dec)</i>	83.1	-3.9	14.7	26.7	-1.0	4.7	5.2

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. For 2006/07, **all price indices** are calculated based on average selected prices from the beginning of the seasons up to Nov 2006. Rice index refers to the first year shown.

Table A2. World cereal stocks¹ (000 tonnes)

	2002	2003	2004	2005	2006 estimate	2007 forecast
Total Cereals	575.8	484.5	415.8	467.7	469.0	402.9
Wheat	237.1	202.6	160.7	175.5	174.7	147.0
held by:						
- main exporters ²	49.0	39.1	38.5	55.0	58.0	34.5
- others	188.1	163.5	122.2	120.5	116.6	112.5
Coarse Grains	195.9	162.5	149.6	193.0	189.0	151.2
held by:						
- main exporters ²	70.3	55.3	48.5	93.8	90.2	53.5
- others	125.6	107.2	101.1	99.2	98.8	97.7
Rice (milled basis)	142.8	119.4	105.4	99.2	105.3	104.7
held by:						
- main exporters ²	36.3	21.7	22.5	18.9	22.7	22.1
- others	106.6	97.7	82.9	80.3	82.6	82.6
Developed Countries	169.9	145.2	123.5	190.4	189.8	122.8
Australia	10.2	5.2	9.2	11.1	16.1	4.5
European Union ³	31.1	33.7	21.5	48.8	43.8	32.8
Canada	10.3	8.9	10.3	14.5	16.3	11.5
Hungary ⁴	2.0	1.4	0.8	-	-	-
Japan	5.7	5.4	4.9	4.7	4.8	4.1
Poland ⁴	2.9	2.9	2.4	-	-	-
Romania	2.5	2.0	1.2	5.0	4.9	3.0
Russian Federation	13.5	12.5	7.3	9.1	9.3	8.5
South Africa	1.9	3.8	3.5	4.1	4.0	2.3
Ukraine	5.2	5.1	2.9	4.3	4.9	4.1
United States	67.4	45.1	44.4	74.7	71.8	39.7
Developing Countries	405.9	339.3	292.3	277.4	279.2	280.2
Asia	368.3	306.6	251.8	233.9	237.1	239.5
China	248.5	209.1	162.9	152.0	152.8	156.2
India	61.2	39.8	32.9	26.7	25.6	27.6
Indonesia	5.0	5.7	6.0	5.7	5.2	5.0
Iran (Islamic Republic of)	4.9	4.4	3.5	2.7	3.2	3.1
Korea, Republic of	3.2	3.1	2.9	2.8	2.8	3.0
Pakistan	6.5	2.9	1.9	1.8	3.2	3.5
Philippines	1.9	2.2	1.9	2.2	2.7	2.9
Syria	3.8	4.1	4.2	4.5	4.4	4.2
Turkey	7.7	8.0	7.2	6.5	4.7	3.9
Africa	20.7	18.7	21.5	23.6	26.3	27.2
Algeria	2.0	2.5	2.6	3.6	4.5	4.7
Egypt	4.1	3.2	2.7	3.3	4.2	3.9
Ethiopia	0.4	0.9	0.4	0.5	1.1	1.3
Morocco	1.9	1.8	2.9	4.6	3.0	3.0
Nigeria	2.1	2.1	1.7	1.2	1.3	1.7
Tunisia	1.1	0.6	1.1	1.3	1.4	1.1
Central America	6.8	5.6	5.9	6.8	5.2	4.8
Mexico	4.7	3.7	3.9	5.0	3.5	3.2
South America	9.8	8.1	12.8	12.8	10.4	8.5
Argentina	2.3	3.2	3.3	1.9	2.4	1.4
Brazil	3.8	1.6	5.8	7.2	4.0	3.3

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 25 member countries.

⁴ From 2005 included in EU 25.

Note: Based on official and unofficial estimates. Totals computed from unrounded data.

Terminology

- **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. US\$1 465 in 2003), which is in accordance with the guidelines and criteria agreed to by the CFA should be given priority in the allocation of food aid.
- The **import requirement** is the difference between **utilization** (food, feed, other uses, exports plus closing stocks) and **domestic availability** (production plus opening stocks). Utilization is based on historical values, adjusted upon assessment of the country's current economic situation.
- **The main wheat and coarse grain exporters** are Argentina, Australia, Canada, the EU and the United States. The main **rice** exporters are China (including Taiwan Province), Pakistan, Thailand, the United States and Viet Nam.
- **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.
- **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.

NOTE: This report is prepared on the responsibility of the FAO Secretariat with information from official and unofficial sources. Since conditions can change rapidly and information may not always represent the current crop or food supply situation as of present date, further enquiries should be made before any action is taken. None of the reports should be regarded in any way as statements of governmental views.

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Enquiries may be directed to:

Henri Josserand, Chief, Global Information and Early Warning Service,
Commodities and Trade Division, (ESC), FAO, Rome

Direct Facsimile: 0039-06-5705-4495, E-mail: GIEWS1@FAO.ORG.

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