

food outlook

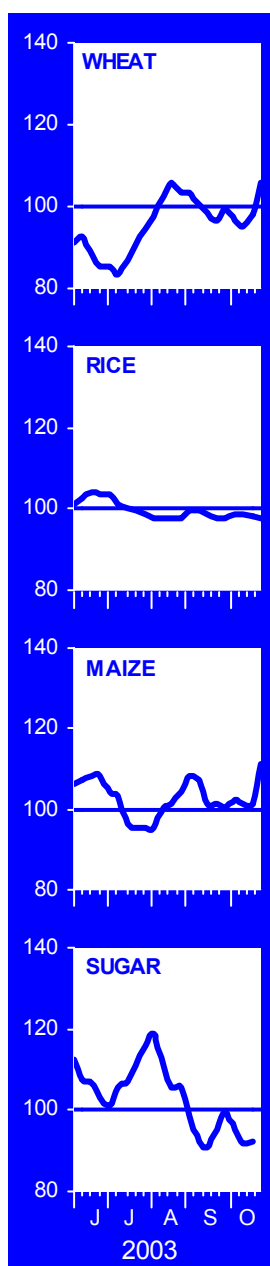
No. 5

November 2003

highlights

EXPORT PRICES

(July 2002=100)



FAO's latest forecast for global cereal production in 2003 is 1 874 million tonnes, 2 percent more than in 2002 but still less than the expected utilization in 2003/04, which is forecast at 1 971 million tonnes. As a result, global cereal stocks are expected to be drawn down to 382 million tonnes.

World cereal trade is forecast to fall significantly in 2003/04 to 227 million tonnes, the lowest level in 6 years. Most of this large decline is being driven by wheat and to a lesser extent by rice; trade in coarse grains is expected to increase slightly.

Prices for most cereals remain under downward pressure. International wheat prices weakened during September and October, mostly influenced by the sharp reduction in global import demand. Export prices for nearly all types of coarse grains remained generally stable over the same period. Only international rice prices showed any significant signs of strengthening and continued to rally in all categories except for the lower quality Indica rice.

A continued recovery in meat prices in the short-term is expected to prompt a slight rebound in meat production in 2004. The influence of trade restricting measures in major meat importing countries is likely to persist in 2004 limiting upward price movement.

International prices for dairy products rose between August and October 2003, after being stable during the first half of the year. For the remainder of 2003, prices are expected to show a further moderate increase.

While global output of oilcrops and products is expected to increase robustly in marketing season 2003/04, prices for oilseeds, and oils and fats should also increase with firm demand and low stocks. Prices of meals may fall under higher supplies and slow growth in feed demand.

Record sugar production and surplus stocks will continue to pressure world sugar prices into the new year, as more finalized forecasts for 2002/03 indicate an additional 10.2 million tonnes of output.



Contents

Table: Basic Facts of the World Cereal Situation	3
Cereals	
- Supply/Demand Roundup	4
- Current Production and Crop Prospects	6
Box: Food Emergencies	7
- Trade	14
- Carryover Stocks	18
- Export Prices	20
Ocean Freight Rates	22
Meat and Meat Products	23
Milk	27
Oilseeds, Oils and Oilmeals	30
Sugar	34
Fertilizers	35

Appendix Tables

Table A.1 - WORLD CEREAL PRODUCTION	37
Table A.2 - WORLD IMPORTS OF CEREALS	39
Table A.3 - WORLD EXPORTS OF CEREALS	41
Table A.4 - CEREAL SUPPLY AND UTILIZATION - MAIN EXPORTING COUNTRIES	43
Table A.5 - WORLD CEREAL STOCKS	44
Table A.6 – SELECTED EXPORT PRICES OF CEREALS AND SOYBEANS	45
Table A.7 - PRICE INDICES AND SELECTED EXPORT PRICES FOR RICE	45
Table A.8 - PRICE INDICES AND SELECTED INTERNATIONAL PRICES FOR OILCROP PRODUCTS	46
Table A.9 – WHEAT AND MAIZE FUTURES PRICES	46
Table A.10 – OCEAN FREIGHT RATES FOR WHEAT	47
Table A.11 - SELECTED INTERNATIONAL COMMODITY PRICES	47

BASIC FACTS OF THE WORLD CEREAL SITUATION

	1999/2000	2000/2001	2001/2002	2002/2003 estimate	2003/2004 forecast	Change 2003/04 over 2002/2003
WORLD PRODUCTION ^{1/}	(..... million tonnes					(percentage)
Wheat	591.8	585.7	588.7	570.2	561.9	-1.5
Coarse grains	888.5	874.8	917.0	881.6	918.2	4.1
Rice, milled	409.1	400.7	400.1	384.8	394.4	2.5
(paddy)	(611.2)	(599.2)	(598.6)	(576.0)	(591.0)	2.6
All cereals (incl. milled rice)	1 889.4	1 861.2	1 905.8	1 836.6	1 874.4	2.1
Developing countries	1 041.4	1 006.7	1 026.2	1 002.5	1 037.6	3.5
Developed countries	848.0	854.4	879.6	834.1	836.8	0.3
WORLD TRADE ^{2/}	(..... million tonnes					(percentage)
Wheat	110.3	101.2	108.7	105.9	96.5	-8.9
Coarse grains	102.0	108.2	105.4	103.5	104.5	1.0
Rice (milled)	23.2	24.2	28.1	27.9	26.3	-5.9
All cereals	235.5	233.5	242.3	237.2	227.3	-4.2
of which: Food aid shipments ^{3/}	10.6	8.9	7.4	8.6		
WORLD UTILIZATION	(..... million tonnes					(percentage)
Wheat	594.7	599.7	609.0	615.3	615.8	0.1
Coarse grains	898.2	909.3	929.9	924.6	937.9	1.4
Rice (milled)	400.3	405.4	410.6	412.4	416.3	0.9
All cereals	1 893.2	1 914.3	1 949.4	1 952.3	1 970.0	0.9
Developing countries	1 155.9	1 163.1	1 185.4	1 187.1	1 211.1	2.0
Developed countries	737.3	751.2	764.0	765.2	758.8	-0.8
Per Caput Food Use	(..... kg/year					(percentage)
Developing countries	166.5	165.3	165.7	164.6	165.1	0.3
Developed countries	131.5	132.0	131.6	131.0	130.8	-0.2
WORLD STOCKS ^{4/}	(..... million tonnes					(percentage)
Wheat	257.3	244.0	226.0	181.0	128.3	-29.1
Coarse grains	261.9	227.9	211.6	172.6	151.7	-12.1
Rice (milled)	168.4	163.6	150.6	122.4	102.2	-16.5
All cereals	687.6	635.4	588.3	476.0	382.3	-19.7
Developing countries	522.7	474.8	419.9	333.6	254.0	-23.9
Developed countries	165.0	160.6	168.4	142.4	128.3	-9.9
EXPORT PRICES ^{3/}	(..... US\$/tonne					(percentage)
Rice (Thai, 100%, 2nd grade) ^{1/}	253	207	177	197	201 ^{5/}	1.0 ^{6/}
Wheat (U.S. No.2 HRW)	112	128	127	161	147 ^{7/}	-16.2 ^{6/}
Maize (U.S. No.2 Yellow)	91	86	90	107	102 ^{7/}	-6.6 ^{6/}
OCEAN FREIGHT RATES ^{3/}	(..... US\$/tonne					(percentage)
From U.S. Gulf to Egypt	13.7	15.0	15.0	16.7	22.0 ^{7/}	-18.9 ^{6/}
LOW-INCOME FOOD-DEFICIT COUNTRIES ^{8/}	(..... million tonnes					(percentage)
Roots & tubers production ^{1/}	438.2	450.3	445.9	450.4	451.3	0.2
Cereal production (milled rice) ^{1/}	820.6	777.8	786.9	773.1	782.5	1.2
Per caput production (kg.) ^{9/}	217.4	203.2	202.7	196.3	195.8	-0.2
Cereal imports ^{2/}	80.2	77.7	84.0	81.8	77.3	-5.5
of which: Food aid deliveries ^{3/}	7.1	7.6	6.4	6.7		
Proportion of cereal import covered by food aid	(..... percentage					(percentage)
	8.9	9.8	7.6	8.2		

Source: FAO

Note: Totals and percentages computed from unrounded data.

^{1/} Data refer to the calendar year of the first year shown. ^{2/} For wheat and coarse grains, trade refers to exports based on the July/June marketing season. For rice, trade refers to exports based on the calendar year of the second year shown. ^{3/} July/June. ^{4/} Stock data are based on an aggregate of individual country carryovers at the end of national crop years and, therefore, do not represent world stock levels at any point in time. ^{5/} Average of quotations for January-October 2003. ^{6/} Change from the corresponding period of the previous year, for which figures are not shown. ^{7/} Average of quotations for July-October 2003. ^{8/} Food deficit countries with per caput income below the level used by the World Bank to determine eligibility for IDA assistance (i.e. US\$1 435 in 2001). ^{9/} Including milled rice.

Cereals

Supply/Demand Roundup

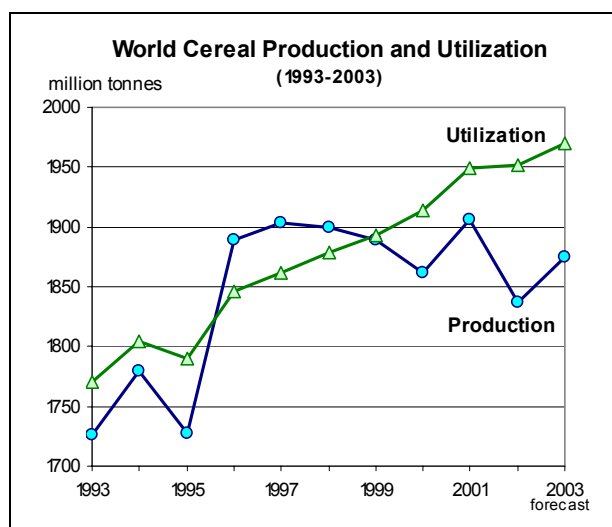
GLOBAL OUTLOOK ^{1/}		
Wheat	2002/03	2003/04
Production	▼	▼
Trade	▼	▼
Stocks	▼	▼
Prices	▲	●
Coarse Grains		
Production	▼	▲
Trade	▼	▲
Stocks	▼	▼
Prices	▲	●
Rice		
Production	▼	▲
Trade	▼	▼
Stocks	▼	▼
Prices	▲	▲

● stable ▲ up ▼ down - - not available

These signs refer only to the direction of change from the previous season.

^{1/} Production refers to the first year; stocks refer to crop seasons ending in the second year; trade and prices for wheat and coarse grains refer to July/June and for rice refer to the second year.

As 2003 draws to a close, conditions have remained favourable for most of the cereal crops still to be harvested over the coming weeks. As a result, FAO's latest forecast for global cereal production in 2003 has risen marginally since the last *Food Outlook* report to 1 874 million tonnes (including rice in milled equivalent), which represents 38 million tonnes or 2.1 percent more than the estimate for 2002. Since aggregate global production will remain significantly lower than expected utilization, another large reduction



in world cereal stocks is very likely. At the current forecast levels, the total cereal stocks-to-use ratio in 2003/04 is set to drop to 19 percent, the lowest level in the past two decades. While ample cereal supplies among the major exporters and the absence of significant demand from some traditionally large importers could keep most international cereal prices under downward pressure in the short run, early indicators for 2004 cereal production (such as the area of winter grain plantings in the Northern Hemisphere), coupled with apparently tighter grain supply conditions in China, could begin to play an increasingly important role in determining price developments in 2004.

Prospects have improved slightly for the final outcome of 2003 cereal harvests

Since the last report in September, the FAO forecast for world **wheat** production in 2003 has been increased slightly by about 6 million tonnes to a total of 562 million tonnes. Part of the revision is due to better-than-expected harvest results in North America, particularly in the north of the United States and in Canada, where the crop was still being gathered at the time of the previous report. A significant upward revision has also been made to the estimate for Iraq, following much firmer information on the outcome of the harvest there. The only other significant upward revision has been for Australia, where the 2003 crop is still awaiting harvest; good growing conditions are pointing to a bumper output that will be close to the record 2001 level. On the downward side, the estimate for Europe fell further as it became clear that the impact of drought in the CEECs had been greater than had been anticipated earlier. At the current forecast level, world wheat output in 2003 will finish 1.5 percent below last year's already below-average harvest. There were significant output recoveries compared to the previous year in North Africa, North and South America and Australia, but they were more than offset by a huge decrease in Europe.

Planting of the winter wheat crops for harvest in 2004 is already well under way in the major producing countries in the Northern Hemisphere, and weather conditions have been generally favourable so far. In the United States, the pace of planting and crop establishment in the main winter wheat plains were reported to be slightly ahead of normal in late October. In Europe, timely rains that will help establish the autumn crop had been received in most areas. Also among the CEECs, autumn weather conditions were reported to have been generally good, but farmers' reduced financial resources after the poor 2003 harvest may limit the size of the winter wheat area and the extent to which high-quality seed and other inputs will be used.

The forecast for the 2003 world **coarse grains** output has also been revised slightly upward by 5 million tonnes since the last report to a new total of 918 million tonnes, mostly as a result of positive weather-related adjustments for Australia and for some countries in Africa, North America and South America, where harvesting has been continuing over the past few weeks or is just about to start. At the forecast level, global output of coarse grains in 2003 will probably be just slightly above the 2002 crop.

FAO's latest forecast for global paddy **rice** production in 2003 is 591 million tonnes, which is 2 million tonnes less than the September forecast, but still 2.6 percent above the poor 2002 season outcome. Most of the revision in the 2003 outlook reflects a severe worsening of prospects in China from adverse weather, as well as some deterioration in growing conditions for the crops in Japan, the Republic of Korea and Sri Lanka. By contrast, generally favourable growing conditions have bolstered production forecasts in Cambodia, India, the Islamic Republic of Iran, Myanmar and Viet Nam.

More rapid expansion in world cereal utilization in 2003/04

World cereal utilization by the close of the marketing seasons in 2004 is forecast at 1 970 million tonnes, up 18 million tonnes or nearly 1 percent from the previous season. This would be closer to the medium-term trend than was anticipated earlier, following this month's upwards adjustments to feed-use estimates in China, the EU and the United States. At the current forecast levels, world cereal use for human consumption is forecast to rise by 1.5 percent in 2003/04 to 992 million tonnes, driven mostly by modest increases expected from the developing countries. On average, per caput food consumption in both developing and developed regions is likely to remain stable at 165 kg and 131 kg, respectively. World feed utilization of cereals is expected to remain roughly the same as in 2002/03 at about 705 million tonnes. While feed use in the developing countries is forecast to continue on its upward trend and even expand by more than 2 percent in 2003/04, the increase will probably be offset by a contraction in feed use in the developed countries. As regards other use of cereals, a growing demand in several countries for alternative fuels such as ethanol, an alcohol-based fuel produced by fermenting and distilling starch crops, is also expected to continue driving up demand for certain cereals (mostly maize) in 2003/04.

World cereal stocks to decline in 2004

The forecast for global cereal stocks in 2004 has been raised to 382 million tonnes, up 10 million tonnes from the previous report but still down by some 94 million tonnes (20 percent) from the opening levels. This month's upward adjustment reflects mostly some minor revisions to the forecasts for wheat and coarse grain

carryovers in a number of major exporting countries. The anticipated large decline in global cereal stocks in 2004 is being driven mostly by large reductions in China, India and several countries in Europe that have resulted mainly from smaller production levels. The forecast drop of around 53 million tonnes in wheat inventories would account for the bulk of the anticipated contraction in world cereal stocks in 2003/04, followed by an expected reduction of around 21 million tonnes in global coarse grain stocks and 20 million tonnes in rice inventories.

World Cereal Production, Supplies, Trade and Stocks

	2001/02	2002/03 estimate	2003/04 forecast
	(. million tonnes)		
Production <u>1/</u>	1 906	1 837	1 874
Wheat	589	570	562
Coarse grains	917	882	918
Rice (milled)	400	385	394
Supply <u>2/</u>	2 541	2 425	2 350
Utilization	1 949	1 952	1 970
Trade <u>3/</u>	242	237	227
Ending Stocks <u>4/</u>	588	476	382

Source: FAO

- 1/ Data refer to calendar year of the first year shown. Rice in milled equivalent.
- 2/ Production plus opening stocks.
- 3/ July/June basis for wheat and coarse grains and calendar year (second year shown) for rice.
- 4/ May not equal the difference between supply and utilization due to differences in individual country marketing years.

World cereal trade to fall significantly in 2003/04

After adjustments to trade forecasts for several countries since the previous report, the latest forecast for world trade in cereals in 2003/04 stands at 227 million tonnes, down 10 million tonnes or 4 percent from 2002/03 – the lowest in 6 years. Most of this large decline is being driven by wheat and to a lesser extent by rice; trade in coarse grains is expected to increase slightly.

Prices for most cereals remain under downward pressure

International wheat prices during September and October weakened, and values from most origins were, by and large, below the corresponding levels of last year. The main factor for this decline was apparently the sharp reduction in global import demand, although tighter supplies in Europe and the weakening of the value of the US dollar have provided some support to the US wheat prices. Fundamentals in the futures market were also characterized by weak demand and strong competition among the major exporters (all except the EU). Although in late October expectation of higher demand in China pushed up futures prices, the

surge proved short-lived as the hopes for large purchases by the country subsequently faded. Export prices for nearly all types of coarse grains remained generally stable over the same period, although stronger demand for US sorghum and European feed barley as well as tighter exportable supplies of maize in China resulted in some upward movements in prices during late October. International rice prices have continued to rally since August and the FAO Export Price Index (1998–00=100) rose from 85 in August to 87 in September and 88 in October. This strengthening was apparent in all rice categories except for the lower quality Indica rice, the index of which has remained at 82 since August.

Current Production and Crop Prospects

Position by Region

- **Asia**

Far East: Harvesting of the 2002 spring/summer wheat and coarse grains is completed or drawing to a close. Yields have generally been higher in most countries after favourable weather condition. Harvesting of the spring **wheat** crop has been completed in China and the overall wheat output in 2003 has been officially estimated at 86 million tonnes 5 percent below that of 2002, 15 percent below the average of the past five years and the lowest level since the mid-1980s. The decline in output is attributed to the smaller area sown; the area was reduced by 1.9 million hectares from last year to 22 million hectares, the lowest level of planting since 1950. A large area of arable land has been switched to more profitable crops such as vegetables, flowers, tea, fruits and soybeans or reforested under the government forestry policy. Sowing of winter wheat for the harvest due in the summer of 2004, which accounts for more than 90 percent of China's wheat production, was delayed by about 10 days in the key growing provinces of Henan, Shandong and Hebei due to the late maize harvest making the land unavailable for the wheat planting. Flood damage kept farmers in some areas of Shaanxi province from planting their winter wheat. The 2003 wheat output in India also declined due to a reduction in planted area and is estimated at 69.3 million tonnes. This would be 2.5 million tonnes below last year's level and 1.8 million tonnes below the average of the past five years, despite a big increase in yields after good rainfall.

Harvesting of **maize** had been completed in most regions of China as of late October but was still under way in the Northeast. The 2003 output has been estimated below earlier expectations at 114 million tonnes. This would be significantly below last year's harvest of 121.3 million tonnes, reflecting a reduction in area and bad weather in the key maize growing areas. Harvesting of maize has also been completed in India and the 2003 output has been estimated at 13 million

tonnes, 17 percent above last year and 11 percent above the average of the past five years as a result of an increased area and higher yields. Two other major coarse grain crops, millet and sorghum, also performed well this year reflecting the incentive of high prices during the planting period and excellent rainfall. The outputs for millet and sorghum in 2003 have been estimated at 9 million tonnes and 8.5 million tonnes, 46 percent and 20 percent above last year, respectively. Harvesting of the 2003 coarse grain crop was under way in Pakistan in late October. Output is forecast to reach just 2.1 million tonnes, 4.3 percent below last year's level and 4.5 percent lower than the average of the past five years, due to the unfavorable weather condition.

In Asia, the main **paddy** crops are mostly nearing maturation in the Northern Hemisphere countries with some already in the harvesting stage. The monsoon patterns so far have been positive practically everywhere, giving potential for a good 2003 season.

The outlook for 2003 production in mainland China has diminished by 8 million tonnes since the last issue of *Food Outlook* because of drought in the southern provinces and excessive rains in the north. The adverse weather conditions have exacerbated the effects of a policy that has overly exposed producers to market forces this year. It is expected that overall output this season will decrease by 5 percent compared with last year's to 165.8 million tonnes; all three paddy crops will be affected, and in particular the late one (grown only in the south).

The official forecasts for production in Cambodia, following a 6 percent expansion in plantings this season, range from 4.2–4.5 million tonnes. FAO has thus also raised its production forecast for the country by 200 000 tonnes this year, to 4.3 million tonnes.

Following the release of higher government estimates for the main (*Kharif*) crop, the forecast for India's total production in 2003 has been increased by 3 million tonnes to a new paddy total of 133.5 million tonnes. As the monsoon rains ended in mid-September, overall precipitation from 1 June to 30 September throughout India was reported as 2 percent above normal, with only 3 of the 36 meteorological subdivisions reporting below-normal rainfall. As a result, replenishment of reservoirs is proceeding satisfactorily; this has also heightened the prospects for the secondary *Rabi* crop (irrigated), now expected to reach 21 million tonnes, up from 14 million tonnes last year.

The 2003 season has ended in Indonesia, where official estimates indicate only marginal increases in paddy production to 51.8 million tonnes; lingering drought problems eroded the benefits of an early start to the season. With the 2004 season about to commence, the government has announced a production target of 53.5 million tonnes. Much of this growth will reflect a 2.4 percent increase in cultivation,

FOOD EMERGENCIES UPDATE ^{1/}

The number of countries experiencing food emergencies currently (November 2003) stands at 38, with 23 in Africa, 8 in Asia, 5 in Latin America and 2 in Europe.

In **eastern Africa**, despite favourable crop prospects in parts, several countries still face serious food difficulties. In Eritrea, about 2.3 million people face severe food shortages as a result of last year's drought, poverty and the lingering effects of the war with Ethiopia. In Ethiopia, a recent multi-agency assessment indicated that the number of people in need of food assistance now stands at about 13.2 million, compared to the earlier figure of 12.5 million. In Kenya, reports indicate that torrential rains, coupled with drought in south-eastern parts, have left nearly 400 000 people in need of emergency assistance. In Sudan, food assistance appeals have been made for nearly 3.25 million vulnerable people for a period of 12 months (April 2003–March 2004). In Somalia, the food supply situation in northern parts, particularly in the Sool Plateau and most of Dharoor, is a cause for serious concern due mainly to severe drought. In addition, civil conflict continues to affect livelihoods in several parts of the country. In Tanzania, prolonged drought conditions in several areas have affected a large number of households, with an estimated 1.9 million people in need of food assistance. The humanitarian situation in northern and eastern Uganda has deteriorated with the escalation of armed conflict. More than 1.6 million displaced people need emergency assistance. In Burundi, a volatile security situation continues to displace populations in several areas. In **southern Africa**, emergency food aid is required for up to 5.5 million people in Zimbabwe following three consecutive poor harvests coupled with the country's economic crisis. In Angola, food assistance is needed for 1.4 million returnees, resettled and vulnerable populations after 30 years of civil war. In Mozambique, despite a 2003 good cereal harvest, 940 000 people need emergency food aid due to crop failure in southern provinces. In Madagascar, the food security situation is critical for 600 000 drought-affected people in southern parts. In Lesotho and Swaziland, where cereal harvests remained at low levels in 2003, large sections of the population need food assistance. In Malawi and Zambia, although the overall food supply situation is satisfactory, food aid is still being distributed in pockets affected by a poor harvest. In **western Africa**, the food situation in Côte d'Ivoire remains critical, particularly in the west and rebel-controlled north. In Liberia, following the signing of the peace agreement, the humanitarian situation has improved in Monrovia but the overall food supply position remains precarious. In Mauritania, the food situation is still unsatisfactory despite food distributions and subsidized sales of wheat. Food shortages also affect Cape Verde, caused by last year's poor harvest, and Guinea and Sierra Leone as a result of civil conflicts. In **Central Africa**, the security situation remains precarious in the Democratic Republic of Congo. The food situation of some 2.5 million internally displaced people is serious but insecurity continues to hamper provision of humanitarian assistance. In the Republic of Congo and Central African Republic conflict displaced populations need food assistance.

In **Asia**, an FAO/WFP Crop and Food Supply Assessment Mission to DPR Korea has reported continued recovery in agricultural production that started in 2001, as a result of favourable weather conditions, increased application of fertilizer, improved availability of electricity for irrigation pumping stations, and greater availability of fuel and spare parts for tractors. However, domestic production still falls well below the minimum food requirement and food aid will be needed for 2003/04. In Mongolia, despite the worst flooding since 1982 this summer, cereal output was up from last year. However, the country still faces severe food shortages. In **Asian CIS**, food assistance continues to be needed for vulnerable populations in Georgia, Armenia and Tajikistan, following recent drought and civil strife. In the **Near East**, a recent FAO/WFP Crop, Food Supply and Nutrition Assessment Mission to Iraq found that this year's relatively good agricultural production contrasts sharply with the enormous economic difficulties faced by the majority of the population. The food situation in the West Bank and Gaza Strip is also serious due to market disruption by the persistent conflict. In Afghanistan, despite a record harvest this year, access to food for a large proportion of the population is difficult and food aid will still be necessary in 2003/04.

In **Central America and the Caribbean**, food aid is being provided to households affected by a series of natural disasters and economic shocks in El Salvador, Guatemala, Honduras and Nicaragua. In Haiti, emergency food aid is required for the drought-affected population in the North-West region. In **Europe**, food assistance is necessary for refugees, the internally displaced and vulnerable people in Serbia and Montenegro and in Chechnya in the Russian Federation.

^{1/} This updates information published in the October 2003 issue of Foodcrops and Shortages.

especially in Kalimantan and Sumatra. Despite requests from producers for import protection, the government has been reluctant so far to raise tariffs, especially as such a move could cause cross-border shipments of rice to intensify, and these enter the country unrecorded. Indonesia remains committed to boosting production and reducing imports, as shown by the 13 percent rise in dry paddy support prices in 2003 to Rupees 1 725 per kg (US\$193 per tonne).

Cold temperatures and insufficient sunlight during the summer devastated the crop outlook in Japan this season. Based on the latest official estimate, paddy production fell to a decade low of 9.8 million tonnes, 500 000 tonnes below the previous forecast and 12 percent less than last year. Similarly, adverse weather conditions reduced the size of the crop in the Republic of Korea, leading to a downward revision in output this season from 6.8 to 6.1 million tonnes, the poorest outcome since 1980.

Recent reports on Myanmar put production in the country at 24.6 million tonnes, substantially above the earlier forecast of 23.5 million tonnes and an all-time high that was made possible by good weather conditions. In addition, abolishing compulsory sales to the government at low prices last April may have encouraged farmers to extend their plantings.

The paddy season has now ended in Sri Lanka, where the combination of favourable weather, a return to peaceful conditions and the rehabilitation of agricultural infrastructure boosted paddy production for 2003. Based on the latest government figures, this season's paddy production estimate has been lowered somewhat from the previous forecast to 3.1 million tonnes, which is still 8 percent above the 2002 figure. The increase reflects a positive outcome of the *Maha* and *Yala* crops, which grew by 7 percent and 9 percent to 1.9 million tonnes and 1.2 million tonnes, respectively. With the 2004 season about to start, the preliminary forecast for production next season has been set at 3.5 million tonnes.

Following improved expectations concerning the main winter/spring crop, the latest production forecast in Viet Nam has been raised by about 1 million tonnes to some 34.7 million tonnes, a 1.8 percent increase over the 2002 level. This indicates improvements in yield, because the area cultivated with rice has been forecast to decline, partly reflecting ongoing policies to divert marginal lands towards other uses.

Production forecasts for the other major rice-growing countries in the region remain unchanged since the September report. Bangladesh should still achieve a record output this year, as the heavy flooding in September caused only slight damage to rice fields. In Thailand, production is forecast to increase to a record level of 27 million tonnes, as output from the main crop currently under harvest has been boosted by favourable weather conditions. In Pakistan, the official forecast remains at 6.5 million tonnes, only slightly

above last year and substantially short of the levels achieved between 1998 and 2000. The rather modest outcome of the season is in part due to floods in August, which caused damage to IRRI rice varieties grown in the Sindh region. Prospects for this season's output in the Philippines have also been maintained at 13.5 million tonnes (July/June), up from 13 million tonnes in 2002. The increase mainly reflects both government efforts to expand cultivation during the second half of the year in an attempt to recoup the losses related to El Niño incurred during the first half, and the wider use of hybrid and higher-yielding varieties by farmers.

Near East: In Iraq, the 2003 **cereal** crop has been estimated at about 4.12 million tonnes, some 22 percent more than last year. The 2003 wheat production in the Islamic Republic of Iran has been estimated at 12.9 million tonnes, 447 000 tonnes higher than last year's crop, mainly due to the good weather conditions and a high government support price. Harvesting of the 2003 coarse grain crops was completed in August/September and the latest information points to a significant increase in output of these crops also, by some 3 percent above the 2002 level and 31 percent above the average of the previous five years as a result of the good weather conditions. In Syria, the 2003 cereal production – mainly wheat – is forecast to reach about 5.6 million tonnes, some 5 percent less than last year. In Saudi Arabia, cereal production has been estimated at 2.1 million tonnes, about the same as last year and the average. In Turkey, cereal production increased somewhat compared to last year's crop reflecting favourable weather conditions.

The **paddy** production forecast for the Islamic Republic of Iran underwent a large upward revision since the last report, following consultations with government officials, who estimated the crop at 3.1 million tonnes in 2002 and 3.3 million tonnes for the current season, well above previous FAO estimates. The increases reflected not only a return to normal weather conditions after three years of drought, but also an intensification of government support to the sector.

CIS in Asia: Favourable weather conditions and the availability of ample irrigation water over much of the region (except Georgia, the Kyrgyz Republic and Armenia) have ensured that the 2003 **cereal** harvests nearly match last year's bumper levels. The aggregate cereal harvest in the region has been estimated at 27.3 million tonnes, which is about 2 million tonnes down from last year's harvest. This aggregate includes some 22.2 million tonnes of wheat, 2.7 million tonnes of barley and 1.5 million tonnes of maize. Tajikistan and Uzbekistan both reported record wheat crop harvests at 685 000 tonnes and 4.8 million tonnes, respectively. In Kazakhstan, the wheat output has been estimated at 11.7 million tonnes, some 1.2 million tonnes lower than last year's record harvest. Smaller areas planted with

World Cereal Production

	Wheat		Coarse grains		Rice (paddy)		Total	
	2002	2003 forecast	2002	2003 forecast	2002	2003 forecast	2002	2003 forecast
	(..... million tonnes)							
Asia	252.2	248.3	212.9	211.0	521.9	538.4	987.0	997.7
Africa	16.7	21.0	82.6	87.0	17.9	18.2	117.2	126.1
Central America	3.3	3.0	28.5	29.1	2.3	2.4	34.1	34.5
South America	18.0	21.5	64.3	78.0	19.8	19.6	102.2	119.1
North America	60.3	85.6	265.2	304.2	9.6	8.9	335.0	398.8
Europe	209.9	158.2	220.5	197.4	3.2	3.0	433.7	358.6
Oceania	9.7	24.4	7.6	11.5	1.3	0.4	18.7	36.3
WORLD	570.2	561.9	881.6	918.2	576.0	591.0	2 027.8	2 071.0
					(385)1/	(394)1/	(1 837)2/	(1 874)2/
Developing countries	263.1	269.0	372.6	390.3	550.3	568.1	1 186.0	1 227.4
Developed countries	307.1	292.8	509.1	527.9	25.7	22.9	841.8	843.6

Source: FAO 1/ Milled rice. 2/ Including milled rice.

Note: Totals computed from unrounded data.

cereals in Kazakhstan, frost and a relatively dry spring in the Kyrgyz Republic, Georgia and Armenia compromised the cereal crops in these other areas.

In the Baltic States (Estonia, Latvia and Lithuania) the aggregate cereal harvest has been estimated at 3.8 million tonnes, slightly down from last year's harvest. This total includes about 2.5 million tonnes of coarse grains and 1.3 million tonnes of wheat. Unfavourable weather conditions and low cereal prices last year contributed to this year's lower-than-expected output.

• Africa

Northern Africa: Aggregate 2003 cereal output in the subregion is estimated to have increased by almost one-third compared with the last year to a record 35 million tonnes, reflecting favourable weather and adequate availability of agricultural inputs. Production of **wheat** has been estimated at more than 17 million tonnes, some 40 percent more than output in 2002. The major increase occurred in Tunisia, where output reached about 2 million tonnes, which is much higher than the exceptionally low level of 423 000 tonnes last year. A very significant increase has also been reported in Algeria, where wheat output is estimated to have doubled to some 3 million tonnes. In Morocco, production increased by about 50 percent to 5 million tonnes, while in Egypt output has been estimated at 6.8 million tonnes, which is slightly higher than both last year and the average. Production of **coarse grains** in the subregion, estimated at 12.7 million tonnes, also improved markedly in comparison with last year's average crop. This improvement is due entirely to a sharp increase in the barley crop, estimated at almost 5 million tonnes, 2.7 million tonnes higher than the average crop harvested in 2002.

Paddy output in Egypt, the subregion's major rice-producing country, has now been forecast to reach 6.0 million tonnes, slightly more than was predicted in the previous report, following official information that plantings, which covered a larger area than had originally been forecast, were about the same as for last year.

Western Africa: The harvesting of **coarse grains**, now under way in the subregion, will be completed in December. In the Sahel, where a series of joint FAO/CILSS Crop Assessment Missions are currently in the field to estimate 2003 cereal production, the overall crop prospects are favourable, and normal to above-normal harvests have been anticipated in most countries. Thus, output of coarse grains this year is expected to exceed both the 10 million tonnes harvested last year and the average for the previous five years. In Senegal and Mauritania, rainfall was inadequate until the beginning of August when precipitation increased over the main producing areas thereby replenishing soil moisture and improving crop prospects. Despite localized flooding in Burkina Faso, Chad, the Gambia, Mali and Niger, crops prospects in these countries remain favourable. In Niger, production of coarse grains in 2003 is currently estimated at 3.6 million tonnes, an increase of almost 12 percent compared to last year and one-third above average. In Guinea Bissau, coarse grain crop output has been compromised by large-scale infestations of grasshoppers in northern and eastern regions. Thus production figures for the aggregate cereal crop will depend on the outcome of the major rice crop, which will not be harvested until the end of the year. In Cape Verde, good rains in August should result in a sharp recovery of this year's maize crop to be harvested in December. In the coastal countries along the Gulf of Guinea, growing conditions have been varied.

Prospects for the main season crop are still uncertain in Ghana, Côte d'Ivoire and Liberia as a result of extended dry weather in July.

In Western Africa, the **paddy** crops are at the harvesting stage, and good crop levels are anticipated in Burkina Faso, Niger and Mali, which benefited from regular and well-distributed rainfall this season. Prospects are also positive for Nigeria owing not only to good rains but also to a presidential initiative to promote self-sufficiency in rice through a combination of increased tariff protection and dissemination of improved rice varieties, such as Nerica. By contrast, drought impaired the crops in Cote d'Ivoire, Ghana, Guinea, Liberia and Sierra Leone, which are all expected to experience a shortfall this year. In Senegal, excessive rainfall last August was reported to have damaged paddy crops in the Fleuve Valley. Output this season is, however, still anticipated to attain levels 30 percent higher than the dismal 2002 outcome, although falling short of the excellent 2001 crop. The country recently launched a new strategy for development of the agricultural sector, based on a clear demarcation of the roles of public and private sectors. Some US\$240 million has been earmarked for investment in rice in the Fleuve Valley over a three-year period.

Central Africa: The harvesting of **coarse grains** continues in Cameroon and the Central African Republic. In Cameroon, prospects for the current main-season harvest are favourable, reflecting abundant and widespread rains. Production is expected to increase in the northern Sahelian zone as well, where the harvest was reduced in some areas last year. Reflecting favourable weather, crop prospects are also favourable in Equatorial Guinea and Gabon. By contrast, persistent insecurity is adversely affecting food production in the Democratic Republic of the Congo and the Central African Republic.

Eastern Africa: The 2003 aggregate **wheat** production in the subregion is forecast at about 2 million tonnes, about 9 percent above the average of the previous five years. In Ethiopia, where harvesting of the crop is about to start, prospects are favourable, reflecting good rains in the past months, and outputs are expected to increase from the previous year. In Sudan, where the crop has already been harvested, output was estimated at about 363 000 tonnes, 47 percent higher than last year.

Harvesting of the 2003 **coarse grains** has been completed for the southern parts of the subregion and is about to start in the northern countries. The subregion's 2003 aggregate output is forecast at about 20.4 million tonnes, 2 percent above average. In Somalia, the recently harvested 2003 main season *Gu* crop has been estimated at about 169 000 tonnes, 8 percent less than the post-war average. The important sorghum crop has dropped to about one-third of the previous year's *Gu* production. In Tanzania, the 2003 coarse grains output has been estimated at 3.3 million

tonnes, 10 percent below last year's crop. Extended dry weather in several parts of the country between February and mid-March and early cessation of main season rains have resulted in lower yields. In Uganda, recent reports indicate an average-sized 2003 output as the result of satisfactory weather conditions. In Kenya, production of the *long rains* maize crop is forecast at about 2 million tonnes, similar to the average for the previous five years. In Ethiopia, the outlook for the coarse grain harvest has improved with the rains that have fallen over the past several months, and output is expected to improve over last year's results. In Eritrea, production of coarse grains is anticipated to recover from the drastically reduced crop of 2002 mainly because of improved weather. In the Sudan, early indications suggest an overall average crop. In Burundi and Rwanda, planting of the 2004 first-season cereal crops has been completed. Early prospects are favourable, reflecting normal weather conditions so far.

Southern Africa: The outlook for the 2003 **wheat** crop, about to be harvested, has improved somewhat following an upward revision of the production forecast in South Africa, the largest producer of the subregion, in view of higher-than-expected yields. The second official forecast points to a crop that will be close to 1.7 million tonnes, which is still 28 percent lower than last year's and below average. In Zimbabwe, the wheat crop is forecast well below both the reduced level of last year and the average, reflecting a decline in the area planted following land-reform activities.

Planting of the 2003/2004 **coarse grains** has started. Early prospects are uncertain, reflecting below-normal rainfall in the first half of October in South Africa, the largest producer in the subregion, coupled with an expected reduction of 10 percent in the area planted to maize as a result of poor price expectations. In most other countries of the subregion, land is under preparation for planting from November. The outlook is poor in Zimbabwe because of a critical shortage of seeds and other agricultural inputs. In Zambia and Malawi, the prevailing low levels of maize prices may result in planting reductions.

The subregion's aggregate 2003 coarse grains output was estimated at 15.7 million tonnes, 7 percent above the 2002 average-sized crop. Production declined in South Africa but recovered from the reduced levels of the previous two years in most other countries of the subregion. However, in Zimbabwe, Lesotho and Swaziland, the coarse grain outputs remained at below-average levels.

In Southern Africa, the 2003 **paddy** season has come to an end, and plantings of the main 2004 crops are under way in Madagascar and about to start in Mozambique, although some delays may be incurred in view of the drought prevailing in the two countries. Both countries had a positive 2003 season, with paddy production estimated to have risen by 4 percent to 2.8 million tonnes in Madagascar and by 19 percent to

200 000 tonnes in Mozambique. In the latter country, the government reportedly announced that it was considering raising rice import duties, in an attempt to shield producers from cheap rice imports, while investing in irrigation and rice processing infrastructure.

- **Central America and the Caribbean**

Planting of 2003/04 **wheat** crop is under way in Mexico. Seasonal storm rains since September have helped to replenish water reservoirs, increasing irrigation supplies and boosting soil moisture in the northwest growing areas of Baja California, Sinaloa and Sonora States. Preliminary forecasts indicate that the area planted should be similar to the average for the past five years.

Harvesting of the 2003 first season **coarse grain** crops has been completed in most countries of the subregion; planting of the second season maize has just started. In Mexico, the largest producer, where harvest of the maize spring/summer crop is still under way, normal to abundant rains in the past months benefited developing crops in the primarily agricultural southwestern areas. Heavy rains in the states of Chiapas and parts of Oaxaca resulted in flooding, but no flood-related damage to crops has been reported thus far. The 2003 aggregate production of maize (winter and summer crops) is forecast at 18.5 million tonnes, 8 percent below last year's level but still an average size. Sorghum production is expected to reach 5.6 million tonnes, some 7 percent below the average of the past five years. In El Salvador, latest production estimates indicate a 2003 maize output of 578 000 tonnes, 9 percent below last year's level and lower than was previously anticipated. In Nicaragua, the maize output of the main *de primera* season is provisionally estimated at 7.4 million tonnes, 11 percent higher than in the previous year. In Honduras and Guatemala, the maize crops were average-sized. In the Caribbean, seasonal storm rains did not affect production in Cuba, the Dominican Republic or Haiti, where cereal outputs have been estimated as average to above-average in size.

Concerning the main 2003 **paddy** crops, most countries in Central America and the Caribbean are either about to start harvesting or have already done so. In general, the season has been favourable with little damage reported from hurricanes or other climatic elements and in general production has been forecast to rise by about 4 percent to 2.4 million tonnes, which is almost unchanged from the forecast in the last issue of this report. Among the few changes that have been made, the forecast for Costa Rica has been revised slightly downward, following the release of official information for this season. According to the new figures, production failed to recover fully from the drought-reduced level of last season and is anticipated to remain well below outputs achieved between 1998 and 2001. The forecast for Mexico is now officially reported at 251 000 tonnes, slightly less than what was expected earlier. Although this figure implies a small

recovery from last year, the sector continues to be constrained by rising production costs and strong import competition, which has encouraged farmers to leave the land idle or shift to other crops. The government has launched a series of programmes to assist farmers but there does not yet appear to have been a positive effect on the sector.

- **South America**

Planting of the 2003/04 **wheat** crop is under way in the southern areas of the subregion. In Argentina, the main wheat-producing country, harvesting is about to begin. Despite recent beneficial rains, unofficial preliminary forecasts point to a reduction in yields and production in some parts of the main growing area such as southwestern Buenos Aires and eastern La Pampa as a result of dry weather in August and September.

In Brazil, harvesting of the 2003 wheat crop has been completed; production is officially estimated at 4.5 million tonnes, about 55 percent above last year's harvest. In Chile, harvesting is due to start in December and official forecasts point to 1.8 million tonnes. In the Andean countries, harvest of the 2003 winter wheat crop planted in May/June in Bolivia is about to begin; a slightly below-average crop size is anticipated. In Peru, the harvest is virtually completed, and national wheat production is expected to total about 190 000 tonnes.

Planting of the 2003 **coarse grain** crops, principally maize, continues in the Mercosur countries. In Argentina, planting of the 2003/04 maize crop has been delayed in some places because of insufficient soil moisture from persistent dry weather during August/September. Official sources indicate that plantings in 2003/04 should cover some 3.15 million hectares, close to last year's figure. In Brazil, a record 2003 maize crop of 47.3 million tonnes has been harvested. Good results from the second *zafrinha* crop contributed to overall production success. Planting of the 2003/04 maize crop is under way in the main producing states in the south. In Chile, 2003 maize planting continues under generally dry conditions. As regards Andean countries, in Colombia normal to abundant rains are helping the planting and development of second-season crops, confirming an earlier maize production forecast of 1.2 million tonnes. In Peru, the 2003 maize harvest has been practically completed and aggregate production (white and yellow) is provisionally estimated at about the five-year average of 1.3 million tonnes. In Ecuador, land preparation activities are under way to start planting the 2004 maize from December. In Venezuela, harvesting of the 2003 maize crop just started and its outlook improved compared to previous forecasts thanks to beneficial rains during the summer growing season that helped boost yields. Unofficial forecasts have set 2003 maize production (mainly white maize to be used by the food industry) at some 1.4 million tonnes, which compares to the five-year average of 1.2 million tonnes.

Most countries in South America have harvested their main 2003 **paddy** crop and are preparing for the 2004 season. Overall, the region gathered an estimated 19.6 million tonnes this year, about 200 000 tonnes less than in 2002. Latest estimates point to a contraction of output in Argentina, Brazil, Peru, Uruguay and Venezuela, mainly as the result of weather vagaries early this year. By contrast, the season is forecast to end positively in Bolivia, Colombia, Guyana and Paraguay.

- **North America**

In the United States, the October USDA crop report estimated the 2003 aggregate **wheat** (winter and spring) output at 63.6 million tonnes, 44 percent higher than in 2002 and about 10 percent above the average of the past five years. As of 12 October, planting of the winter wheat crop for harvest in 2004 was reported to be progressing well; the pace of planting was slightly ahead of the previous year's pace and the five-year average. In Canada, by mid-October, the wheat harvest was reported as virtually complete. Aggregate wheat production in 2003 has now officially been forecast at 22 million tonnes, 36 percent higher than last year's output but nonetheless 4 percent below the five-year average. The quality of this year's crop is reported to be significantly improved compared to last year as a result of the hot, dry growing conditions this summer.

The outlook for the United States 2003 **coarse grain** crop was mostly favourable as of mid-October. The USDA's October forecast put aggregate coarse grain production at 278 million tonnes, about 13 percent above last year's output. Maize is expected to account for about 259 million tonnes, compared to 229 million tonnes in 2002. By 12 October it was reported that 39 percent of the maize crop had been harvested, just ahead of last year's harvesting pace but somewhat behind the five-year average. In Canada, the latest forecast of aggregate coarse grain production in 2003 has been revised slightly downward since the last Food Outlook report, to just over 26 million tonnes. Nevertheless, this would still be about 30 percent up from 2002, mostly reflecting a strong recovery in barley production after last year's drought.

Regarding **rice**, as of 19 October 92 percent of the United States 2003 crop had been harvested according to official reports. Output is officially forecast at 8.9 million tonnes, slightly above the previous forecast but still below the 9.6 million tonnes harvested last year. A reduction in the area planted is responsible for the decline from last year's record output, since yields achieved in the current season are estimated at a record high.

- **Europe**

The FAO's latest forecast for the 2003 drought-struck cereal output in the EU now stands at 190 million tonnes, 12 percent down from last year and the smallest crop since 1995. The region's **wheat** output is estimated at 92 million tonnes and the **coarse grain** crop at about 95 million tonnes, compared with 104 million tonnes and 108 million tonnes, respectively, in 2002.

Weather conditions in the past few weeks have been generally favourable for winter grain planting throughout the region, with significant rainfall showers bringing adequate moisture for ground preparation and crop emergence in most parts. As of early October, only the south of the United Kingdom and the north of Italy were reported as still too dry and in need of more significant rains.

Among the CEECs, sharply reduced cereal outputs were recorded in virtually all countries in 2003, largely the result of prolonged drought last summer, although in some cases adverse growing conditions as early as planting time in the autumn of 2002 had already affected the crops. However, prospects for planting of the 2003/04 winter grains are favourable so far with timely rains in late September and early October increasing soil moisture levels, which had been greatly depleted after the summer drought.

In Bulgaria, cereal output in 2003 has been reduced to just over 4 million tonnes. Output of wheat, the major food crop, is officially estimated at 2.2 million tonnes, about 40 percent lower than last year. Similarly, the winter barley crop is also expected to be significantly reduced to about 450 000 tonnes, less than half of the 2002 level. Some rainfall in late September and early October improved conditions for autumn grain planting after the previously very dry conditions. However, prospects for the winter grains are uncertain amid reports that many farmers lack resources for the autumn fieldwork while the costs of some inputs, such as fuel, continue to rise. In the Czech Republic, final harvest estimates point to a smaller cereal output than was earlier forecast, confirming 2003 as the lowest production year in recent history. Wheat output has been estimated at 2.6 million tonnes, compared to an average of 4 million tonnes over the past five years.

In Hungary, the 2003 wheat crop has been estimated at 2.9 million tonnes, 25 percent down from the already relatively low crop of 3.9 million tonnes last year, and the smallest since 1999, previously the worst drought year. The summer maize crop has also suffered from the lack of moisture, and latest official forecasts have set output at 5.2 million tonnes, compared to the average-sized crop of 6.4 million tonnes last year.

In Poland, the 2003 cereal crops suffered from the harsh winter and summer drought, but the severity of the impact was felt somewhat less than in the more southern CEECs. The aggregate cereal output dropped to about 23 million tonnes from 26.6 million tonnes in the previous year. Romania, on the other hand, was among the countries hardest hit by drought in 2003. The wheat crop was devastated, with output reduced to an estimated record low of 2.5 million tonnes, compared to 4.4 million tonnes last year and over 5 million tonnes on average over the past five years. The outcome of the maize harvest is still uncertain: official reports continue to suggest that the maize area was larger than it has been in the past five years, but average yields have likely been much lower than normal and output is estimated at around 8 million tonnes.

In the **CIS countries in Europe** (Belarus, Moldova, Russian Federation and Ukraine) aggregate cereal production this year is down by more than 27 percent compared with 2002. Severely cold weather, frost and thin snow cover followed by an exceptionally dry spring were the main causes of this year's significantly reduced cereal harvest in the region. The 2003 **wheat** harvest in Ukraine is now estimated at 4.4 million tonnes, which is nearly 78 percent lower than last year's. In Moldova, wheat output fell by 82 percent, and in the Russian Federation by about 28 percent compared with the harvest in 2002. Winter cereal planting is well under way, and, given the relatively high cereal prices in the region, the area sown to winter cereals will probably increase slightly.

The 2003 **coarse grains** output in the region has now been estimated at about 51.5 million tonnes, nearly 4.3 million tonnes down on last year's harvest. The region should produce some 26.3 million tonnes of barley and about 7.6 million tonnes of **maize** this year, compared with more than 31 million tonnes and 5.8 million tonnes respectively in 2002. The barley harvest this year in the Russian Federation is estimated at 17.3 million tonnes, in Ukraine at 7.4 million tonnes and in Belarus at 1.6 million tonnes, which compares with 18.6 million tonnes, 10.4 million tonnes and 1.8 million tonnes respectively in 2002. Significantly larger areas planted with maize in Ukraine and Moldova is the main reason for higher output this year. The maize harvest is forecast at about 1.4 million tonnes in the Russian Federation, more than 5.7 million tonnes in Ukraine and 967 000 tonnes in Moldova.

Harvesting of the 2003 **paddy** crops is about to be concluded in most countries in Europe. The output in the EU remains forecasted at 2.4 million tonnes, down from 2.6 million tonnes in 2002. This decrease reflects an anticipated drop in output in Italy and Spain, the two countries most seriously affected by drought this summer. On the top of the production shortfall, the

adverse weather conditions are reported to have lowered the quality of the grain harvested, with negative consequences on milling rates. While the new rice policy regime is to be introduced on 1 September 2004, when the new 2004/05 season starts, the limits for intervention purchases this season have been set at 100 000 tonnes, subject to revisions by the European Commission.

Elsewhere in the region, the estimate of paddy output in Bulgaria was raised substantially after the government doubled its estimate of last year's crop to 18 000 tonnes, the highest level in the past decade. As indications for 2003 point to a larger crop than last year's, the FAO forecast for 2003 has now been increased to 23 000 tonnes. Output in the Russian Federation this season is forecast at 530 000 tonnes, up 40 000 tonnes from the previous forecast and from last year. The revision reflects a reported 10-percent increase in plantings in the territory of Krasnodar, which normally accounts for some 80 percent of the country's output.

- **Oceania**

Widespread rains throughout most of the main winter-grain producing areas have improved the prospects for the developing 2003 crops. Although winter grain sowing was delayed in many areas because of the late arrival of pre-sowing rains, a late spurt of planting activity brought the final winter grain area to about 19.4 million hectares, 9 percent more than in the previous season. Assuming that rainfall will be about average for the remainder of the growing season, **wheat** output in 2003 is now forecast to reach 24 million tonnes, more than two-and-a-half times the previous season's drought-shrunk crop. Production of barley, the major winter **coarse grain** crop, is also expected to more than double to 7.3 million tonnes. Output of the 2003 summer coarse grains harvest dropped sharply because of reduced irrigation supplies resulting from last year's drought. Sorghum and maize outputs were just about half of the previous year's level at some 1.4 million tonnes.

Planting of the new 2004 season **rice** crop has already started in Australia. Despite favourable rains in July and August in New South Wales, where most of the production is concentrated, Abare's September forecast for production in 2004 has been lowered to 440 000 tonnes. However, a recent assessment of the situation by the rice industry gives a more optimistic outlook for next year's production, within a range of 750 000–900 000 tonnes in New South Wales alone. If confirmed, the news would still point to a shortfall compared to the pre-drought levels, but the drop is much smaller than what has currently been forecast by Abare.

Trade ^{1/}

World cereal trade to fall significantly in 2003/04

After adjustments to trade forecasts for several countries since the previous report, the latest forecast for world trade in cereals in 2003/04 stands at 227 million tonnes, which is 10 million tonnes, or 4 percent, less than in 2002/03 and the lowest level in six years. Most of this large decline is being driven by wheat and, to a lesser extent rice. Trade in coarse grains is expected to increase slightly.

Wheat trade to plunge

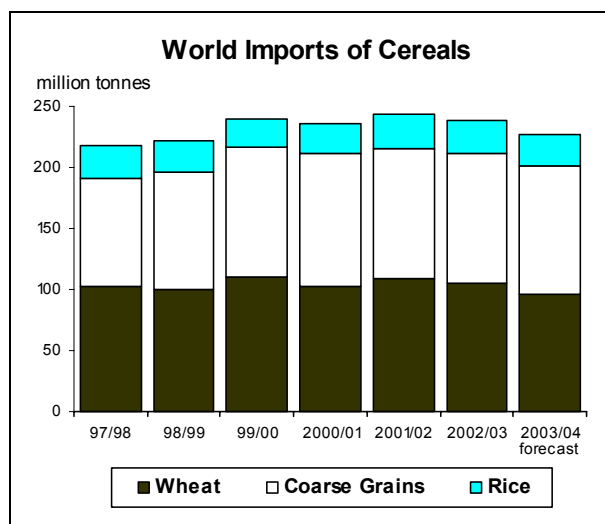
The main emerging feature this season in global cereal markets is a sharp drop in world **wheat** trade^{2/}, currently forecast to drop to 96.5 million tonnes in 2003/04, down 1 million tonnes from the forecast in September and 9 million tonnes below the previous season's level. The decrease in this month's forecast is mostly the reflection of smaller anticipated purchases by the United States, the EU and Iraq, which would more than offset the latest upward adjustments to the import forecast for Ukraine. Two other important developments are behind this season's anticipated drop in wheat trade: one is higher (or record) harvests in several major wheat-importing countries, including Afghanistan, Brazil, the Islamic Republic of Iran and most of the countries in northern Africa; another is a sharp decline in purchases by the EU in spite of drought-reduced production this year, after record imports for the past two seasons.

Aggregate wheat imports into Africa are forecast at nearly 23 million tonnes, more than 3 million tonnes less than last season. This decline reflects reduced imports by Morocco and Tunisia because of their near-record domestic production. On the other hand, driven by rising demand, imports by Egypt are expected to match last year's volume of some 6.4 million tonnes, in spite of even higher domestic production this season. At this level Egypt would regain its position as the world's largest wheat importer. Total wheat imports by countries in sub-Saharan Africa are likely to remain unchanged from the previous season as reduced imports by Ethiopia, Mozambique, Namibia and Tanzania would mostly offset the anticipated increases by Kenya, Sudan and Zimbabwe.

Total imports into Asia in 2003/04 are forecast at roughly 39 million tonnes, down 2.2 million tonnes from last season. The largest decline is forecast for the Islamic Republic of Iran, where imports are likely to plunge to roughly 1 million tonnes for the first time in over two decades because of this year's record harvest. Record wheat production this year in neighbouring Afghanistan would also mean smaller import demand, although with access to domestic production still a major hurdle, some imports would be required. Total wheat purchases by the Republic of Korea could also decline significantly this season.

However, wheat imports for human food consumption are likely to remain at last year's level and the anticipated overall decline in wheat imports would mostly reflect reduced feed wheat imports, because of its less competitive prices relative to maize.

Imports by Latin America and the Caribbean countries are likely to remain close to the previous season's level with very little year-to-year variations across most countries. However, imports by Brazil are likely to drop from the previous season to 6 million tonnes due to a significant increase in domestic production, up more than 2 million tonnes from 2002. In North America, wheat imports by the United States are officially put at 2 million tonnes; this decline from the previous forecast comes mostly in response to recently imposed duties on spring wheat imports from Canada, the main US supplier.



Wheat imports into Europe are expected to decline this season in spite of a surge in wheat purchases by several CIS countries, most notably Ukraine and to some extent the Russian Federation and Moldova as well because of drought-reduced crops. By contrast, in the EU wheat imports are forecast to decline by as much as 8 million tonnes, or almost 70 percent. While the imposition of import quotas coupled with the absence of exportable supplies from Ukraine and the Russian Federation (the EU's main suppliers since 2001/02) are the main reasons for this decline, all of this year's anticipated decrease would affect feed wheat, imports of which rose drastically over the past two seasons as a result of their more favourable prices.

^{1/} World trade (exports) in wheat and coarse grains is based on a July/June marketing season, while trade in rice is based on January/December (calendar).

^{2/} Including wheat flour in grain equivalent.

Overview of World Cereal Imports

	Wheat		Coarse grains		Rice (milled)		Total	
	2002/03	2003/04 forecast	2002/03	2003/04 forecast	2003	2004	2002/03	2003/04 forecast
	(..... million tonnes)							
Asia	41.2	39.0	57.7	57.6	13.5	12.4	112.4	109.0
Africa	26.4	23.2	16.8	15.0	8.0	8.0	51.2	46.2
Central America	7.0	7.3	12.3	13.0	2.0	2.0	21.4	22.3
South America	11.5	11.0	5.8	5.5	1.5	1.0	18.9	17.5
North America	2.2	2.0	6.5	4.0	0.7	0.7	9.3	6.7
Europe	16.2	13.6	6.8	9.2	1.8	1.8	24.8	24.6
Oceania	0.4	0.5	0.1	0.2	0.4	0.3	0.9	1.0
WORLD	104.9	96.5	106.0	104.5	27.9	26.3^{1/}	238.9	227.3
Developing Countries	76.6	70.6	69.8	69.2	23.8	22.1	170.2	162.0
Developed Countries	28.3	25.9	36.2	35.3	4.1	4.1	68.6	65.3

Source: FAO. 1/ Highly tentative.

Sharp rebound in exports by major wheat exporters

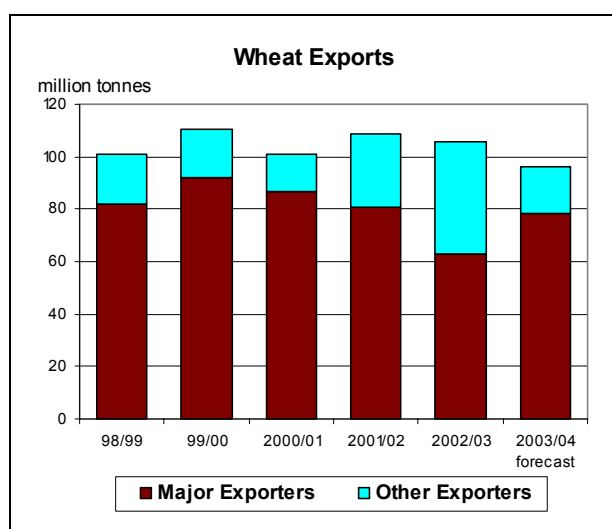
Among the major exporters, only the EU is forecast to lower its shipments as a result of reduced production. In the EU, the grain management committee decided on July 31 to suspend its weekly wheat export tenders because of this year's sharply reduced crop, but exporters can still obtain daily export licences. However, by late October the number of export licenses granted since the start of the season had fallen behind by at least 2 million compared to the same period last season. Making up for the decline in sales from the EU, much larger shipments are anticipated from all other major exporters following a strong rebound in their production this year. As for non-traditional wheat exporters, because of reduced output, sales by the Russian Federation are expected to drop

significantly while Ukraine is turning into a net importer after exporting more than 6 million tonnes (a record) in the previous season. Similarly, none of the smaller exporting countries in eastern and central Europe are likely to be able to make any sales this season except for Bulgaria and Hungary, where some exports are expected, albeit much below their previous year's levels. Smaller exports are also expected by India, while Pakistan will probably withdraw from the export market this year because of a tighter domestic situation.

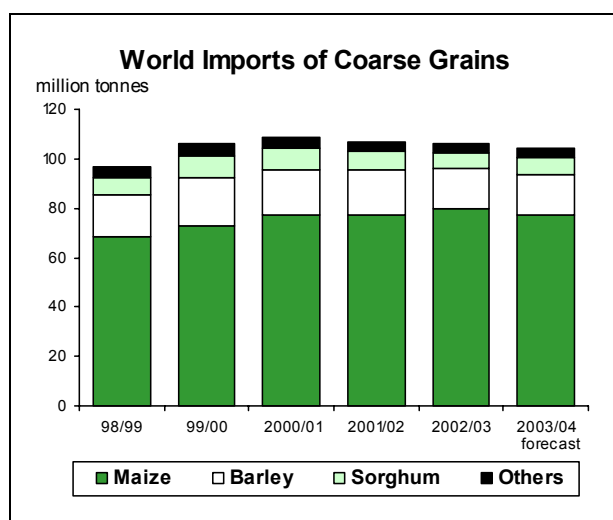
Global coarse grain trade to increase slightly in 2003/04

Global trade in **coarse grain** in 2003/04 is currently forecast at 104.5 million tonnes, 1.5 million tonnes more than was forecast earlier and 1 million tonnes above the previous season; upward adjustments to maize imports by the EU and Japan are among the main reasons behind this increase. Based on the current forecasts, world trade in maize is expected to reach 76 million tonnes, 2 million tonnes lower than last season. However, trade in barley is forecast to approach 18 million tonnes, over 2 million tonnes more than in the previous season, and trade in oats is forecast to reach close to 3 million tonnes, almost 1 million tonnes more than in 2002/03. Trade in other coarse grains is likely to remain unchanged from the previous season.

Total coarse grain imports into Africa in 2003/04 are put at 15 million tonnes, some 1.8 million tonnes less than last season. Most of the decline would be on account of anticipated smaller imports by Malawi and Zambia (mostly from higher domestic maize production), as well as Morocco and Tunisia, which



both had much larger barley crops this year. Imports by Kenya are forecast to increase mainly because of continuing high domestic prices. In Asia, imports are currently forecast at roughly 58 million tonnes, down slightly from the previous season. Most countries in Asia are forecast to import as much as they did last year. However, imports by the Syrian Arab Republic are expected to fall significantly mostly as a result of large domestic supplies, and fewer imports are also anticipated for Indonesia because of higher maize production this year. Imports by most countries in Latin America and the Caribbean are likely to remain close to same levels as in the previous season. However, in Mexico, as the result of a continuing expansion in feed demand, maize and sorghum purchases are likely to increase in spite of rising domestic production.

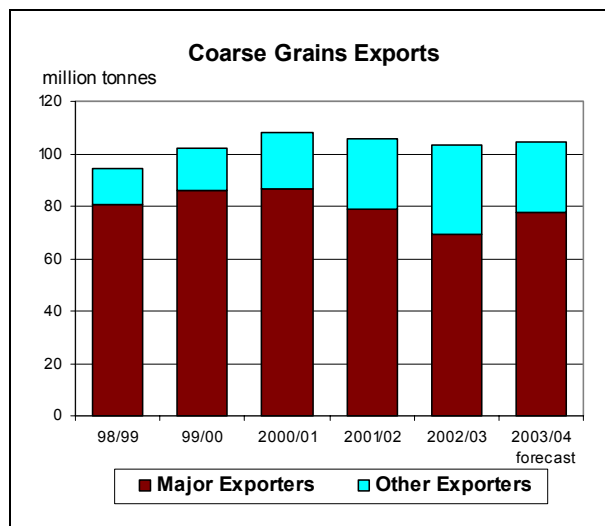


In Europe, total imports are forecast at around 9 million tonnes, more than 2 million tonnes above the previous year's level. As a result of severe drought and consequently smaller production across many countries in Europe, import demand for feed grains is higher nearly everywhere. In the EU, where maize production is forecast to decline by 10 million tonnes, coarse grain imports are likely to reach 5 million tonnes, or 1 million tonnes more than last season. This forecast includes at least 500 000 tonnes of sorghum, reflecting large purchases from the United States so far this season. Higher coarse grain imports are also expected by Poland, Romania and Hungary, while imports by most CIS countries are also anticipated to rise because of tighter domestic supplies.

Export prospects improve for major exporters

In spite of this year's limited expansion in world trade, prospects for market opportunities have greatly improved for some of the more traditional exporting countries. The main reasons for this improvement are the drop in exportable supplies among a number of exporters in the CIS and a sharp anticipated cut in this year's maize sales by China. On the other hand, Brazil is likely to export more maize this season as the result

of a record harvest, while sales by South Africa could also increase slightly. Among major exporters, in contrast, Australia and Canada are forecast to export more barley, thus rebounding after last year's sharp decline in view of a strong recovery in their domestic production. In addition, larger maize and sorghum exports are anticipated from the United States.



World trade in rice close to record levels in 2003

With the end of the year approaching, there is growing evidence that the volume of **rice** trade in 2003 (January-December) might come close to the record achieved in 2002. According to the latest FAO estimate, trade in rice could reach some 27.9 million tonnes, only 200 000 tonnes smaller than last year and the second-largest volume on record.

The new 2003 trade forecast is some 200 000 tonnes higher than that in the previous *Food Outlook*. Much of the difference reflects the raising of imports by Bangladesh, which more than offset some downward revisions for the Islamic Republic of Iran and Iraq. As for exports, the upward adjustment comes as the result of larger shipments from the Republic of Korea, following the announcement that the full rice-aid deliveries promised to the Democratic Republic of Korea would be completed within the current year.

Large imports by Latin America and Caribbean countries sustain the rice international market in 2003

According to the latest FAO forecasts, imports by Asian countries could fall by 4 percent to 13.5 million tonnes, with most of the yearly decline concentrated in Indonesia, Iraq, the Islamic Republic of Iran and the Philippines.

Following the upward revisions to production in the 2002 and current seasons, forecast purchases by the Islamic Republic of Iran have been reduced from 700 000 to 500 000 tonnes, which would stand as the

lowest level in the decade. Likewise, imports by Iraq are now anticipated at some 700 000 tonnes, 400 000 tonnes less than in 2002 and down from a previous forecast of 1 million tonnes. The revision reflects mainly a significant decrease in rice shipments from Viet Nam to Iraq this year, which does not appear to have been offset by other exporters.

Imports by Indonesia continue to be forecast at 3.3 million tonnes, which is still relatively high, although 6 percent less than in 2002. The government is considering proposals for additional tariff and non-tariff protection as of January next year. In the past two years, non-tariff measures on rice have already been tightened, with the introduction of stiffer inspection requirements in 2001 and a ban on imports to Java in 2002.

Despite the relaxation of the import monopoly by the Philippine National Food Authority (NFA) early this year, imports by the Philippines are expected to fall by 14 percent to 1.1 million tonnes. The right to import rice was extended only to producer cooperatives, which, although entitled to 300 000 tonnes, imported only 200 000 tonnes. Thus, the bulk of the rice trade continues to be conducted under the authority of the NFA.

Bangladesh – unlike the countries mentioned above – will likely step imports up this year to at least 1.2 million tonnes, twice as much as in 2002 and 500 000 tonnes more than what was anticipated in the last report. The revision follows the release of statistics that indicated that about 1 million tonnes entered the country between January and June. However, given the excellent 2002 season, the expected bumper harvest in 2003 and ongoing export restraints from neighbouring India, the pace of Bangladesh's imports has likely slowed down considerably in recent months. Official sources also pointed to an annual increase in shipments to Jordan, Oman, Saudi Arabia, Syria and Turkey.

African countries are forecast to cut their rice imports to an aggregate 8.0 million tonnes, down from 8.5 million tonnes in 2002, which if confirmed would interrupt five years of steady increases. Most of the decline this year is due to smaller deliveries to Nigeria, consistent with the current policy stance of the country, but also to Cameroon, Ghana and Guinea. A drop in imports by Senegal is also anticipated, based on shipments reported between January and August. On the other hand, the flow of supply to the Côte d'Ivoire is anticipated to remain at about 1.1 million tonnes, close to the level of the past two years in spite of the troubled political situation in the country. Rice shipments to Benin and Libya are anticipated to rise substantially.

While imports by Asian and African countries are forecast to drop, they are expected to surge by 30 percent in Latin America and the Caribbean, underpinned by larger purchases from Colombia and

especially Brazil, whose imports are anticipated to double to 1.2 million tonnes, the highest level since 1998 and a response to the 2003 production shortfall. Moreover, to relieve pressure on domestic prices, the government recently announced that it would reduce the tariffs on imports from non-Mercosur suppliers from 11.5 percent to 4.0 percent over the last quarter. Deliveries to Mexico are also expected to rise, despite the imposition early this year of anti-dumping duties on rice exported by a number of US firms.

India's retrenchment from the market opens new opportunities for the other major exporters

Prospects for global rice exports in 2003 have been raised by about 200 000 tonnes since the last report on account of larger expected deliveries by the Republic of Korea. Few changes have been made to the other countries' export outlook.

Based on current expectations, a decline in sales by India is the major factor underlying the expected decline in global rice exports. The country is forecast to ship 3.8 million tonnes in 2003, down from 6.6 million tonnes last year. Faced with shorter supplies from the 2002 poor harvest and dwindling rice inventories, prices had been raised and restrictions on sales of rice for export introduced by mid-year, thus considerably slowing the pace of shipments.

Reduced supplies also constrained exports in Argentina and Uruguay as well as in Australia, where they are forecast to tumble to a 25-year low. In Australia, the local government of New South Wales, where most of the country's rice is grown, decided this year to extend until 2009 the monopoly on rice exports held by the Rice Marketing Board on behalf of the rice grower's cooperatives. This "single desk" trading arrangement has been associated in past years with a lack of transparency, with little information released on real rice transactions or destinations; it was one of the themes included for consideration on the agenda for the Doha negotiations.

Exports by Myanmar, on the other hand, are set to remain around 900 000 tonnes, about unchanged from last year, with much uncertainty arising from the reform implemented last summer, which abolished the government trade monopoly and put rice trade in the hand of private firms.

All other major exporters are predicted to gain a wider share of the international market, as for example Thailand, whose exports are currently forecast to come close to the record it achieved in 2001 in spite of a strengthening of the local currency. Especially noteworthy in 2003 is the emphasis on quality rice exports, as reflected in a two-fold increase in the sales of *Hom Mali* jasmine fragrant rice in January-September. Likewise, Viet Nam is expected to deliver 23 percent more rice this year, with exports set at 4.0 million tonnes. If realized, these imports would

reposition Viet Nam as the second largest rice exporting country worldwide, the status it lost to India in 2002. In spite of falling production over the past three years, China is expected to ship 30 percent more rice than last year, with a substantial share to African countries. Sales by Pakistan are also set to rise, although they are likely to remain short of the performance before drought affected the sector in 2001

and 2002. Exports from Egypt have been lowered somewhat from the previous outlook on the base of reported shipments in the first half of the year. However, at 650 000 tonnes, shipments would still be 40 percent more than last year's. Finally, exports by the United States are poised to hit a new record at 3.7 million tonnes, with much of growth driven by the buoyant demand in Latin America and the Caribbean.



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International rice trade likely to fall in 2004

FAO's first forecast concerning the global **rice** trade in 2004 points to a contraction of close to 6 percent, to 26.3 million tonnes. However, this quantity is highly tentative as much of the trade in 2004 will be influenced by the outcome of the 2003 paddy crops in Asia, which are about to be harvested.

The anticipated decline reflects mainly smaller deliveries to major importers, some of which are expected to gather good crops in the current season, including Bangladesh and the Philippines. In addition, imports could be cut substantially in Indonesia if the country manages to achieve the production target of 53 million tonnes next year, which it could not accomplish in 2003 largely because of El Niño-related drought problems. Likewise, as plantings in Brazil has been recently forecast to surge in 2004 to close to record levels, the country may cut purchases significantly next year. By contrast, African countries are anticipated to keep overall imports at around 8 million tonnes, little changed from the level expected in 2003, since a prospected 100 000 tonne drop in rice shipments to Nigeria can probably be compensated by small and widespread increases in the rest of the region. Few changes are currently foreseen.

As for exports, Thailand is anticipated to ship a volume close to this year's high level, given the bumper crop which the country expects to harvest in 2003. By

contrast, exports from Viet Nam are forecast to fall in view of the expected weakening of import demand in two of its traditional markets, namely Indonesia and Iraq. Reduced import requirements in South America would also have a depressing effect on sales from the United States. On the hand, the tightening of stocks might constrain export availabilities in China and India, both of which are currently foreseen to cut their shipments abroad. Likewise, the 2003 production shortfall will limit Japan and the Republic of Korea's ability to maintain their food-aid shipments at this year's high levels.

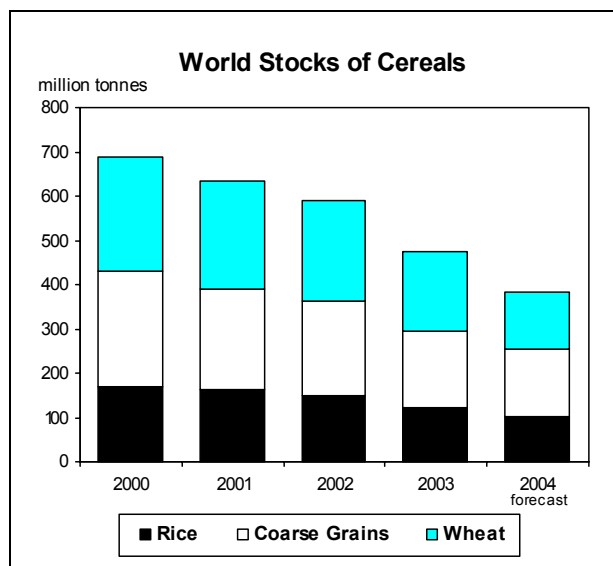
By contrast, Argentina, Myanmar and Uruguay could witness increased sales as production in these countries recovers. An increase could also apply to Australia, although exports by the country are still likely to remain substantially below pre-drought levels.

Carryover Stocks

World cereal stocks to decline in 2004

The forecast for global **cereal** stocks in 2004 has been raised to 382 million tonnes, up 10 million tonnes from the previous report but still down 94 million tonnes or 20 percent compared with opening levels.^{1/} This month's upward adjustments mostly reflect minor

^{1/} World stock data are based on aggregate of carryovers at the end of individual countries' national crop years.



revisions to the forecasts for wheat and coarse grain carryovers in a number of major exporting countries. The anticipated large decline in global cereal stocks in 2004 is mostly driven by large reductions in China, India and several countries in Europe, mainly as the result of reduced production. At the current forecast levels, the total cereal stocks-to-use ratio in 2003/04 would drop to 19 percent, the lowest in two decades. The forecast drop of around 53 million tonnes in wheat inventories would account for the bulk of the anticipated contraction in world cereal stocks in 2003/04, followed by an expected reduction of around 21 million tonnes in global coarse grain stocks and 20 million tonnes in rice inventories.

Global **wheat** carryover stocks in 2004 are currently forecast to reach 128 million tonnes, 2 million tonnes more than were forecast in the previous report but still 29 percent less than their opening levels. Aggregate wheat stocks held by major exporters are forecast to reach 36 million tonnes, up 3 million tonnes from the previous forecast, still below their already sharply reduced opening levels. The decline in this season's wheat inventories among major exporters has been caused mainly by a sharp anticipated contraction in wheat stocks in the EU, where production fell by 11 million tonnes this year. Overall the ratio of major exporters' wheat carryover stocks to their total disappearance (the sum of their domestic consumption and exports) is thus now expected to fall to 16 percent, down from 18.6 percent in 2002/03 and 4 percentage points below the five-year average.

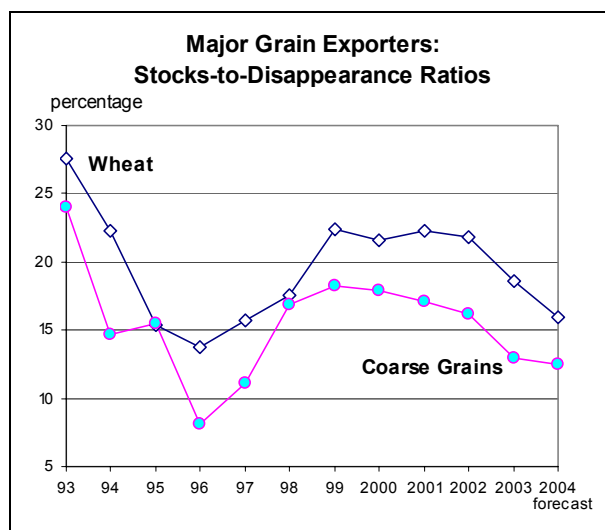
Along with this situation among major exporters, wheat stocks in China are also forecast to decline drastically again this season. China's wheat carryovers are forecast to fall to 28 million tonnes, down by one-half from the previous season. With production falling for the fourth consecutive year and imports at a minimum, China has been drawing mostly on its own stocks to meet demand. In India, continuing exports and rising consumption, coupled with a small decline in

World Carryover Stocks of Cereals

	Crop year ending in:		
	2002	2003 estimate	2004 forecast
	(. . . . million tonnes)		
Wheat	226.0	181.0	128.3
Coarse grains	211.6	172.6	151.7
of which:			
Maize	157.9	124.6	108.8
Barley	29.9	25.7	23.8
Sorghum	7.0	5.4	5.6
Others	16.9	17.0	13.5
Rice (milled)	150.6	122.4	102.2
TOTAL	588.3	476.0	382.3

Source: FAO

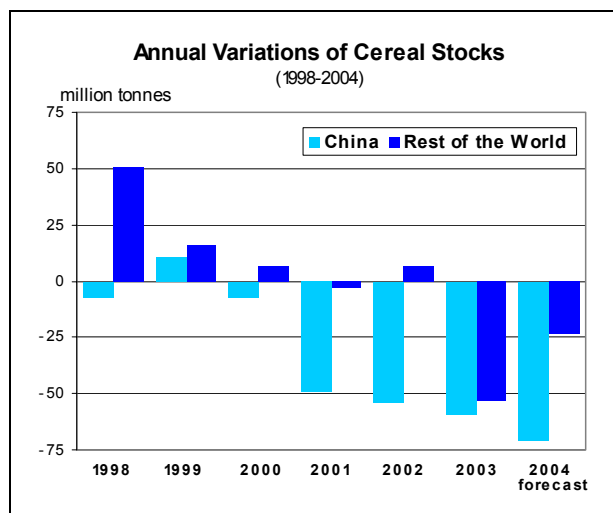
production, would also result in a decline of some 6 million tonnes in wheat inventories to 21 million tonnes. Wheat carryovers in most CIS countries are also forecast to decline, mainly in response to sharply reduced output this year.



World **coarse grain** stocks for crop years ending in 2004 are currently put at around 152 million tonnes, down 12 percent. Stocks held by major exporters are likely to remain unchanged from their opening levels as larger anticipated maize inventories in the United States would make up for falling maize and barley stocks in the EU. As a result, the ratio of major exporters' total coarse grain carryover stocks to their total disappearance is put at just over 12 percent, slightly lower than in 2002/03, although still 4 percentage points below the five-year average.

As in the past few years, smaller maize stocks in China would again account for most of the anticipated decline in coarse grain carryovers in 2004. Following this year's decline in coarse grain production coupled with continuing large exports, carryover stocks in China are expected to drop to 47 million tonnes, down 22 million

tonnes or 32 percent. Among other significant developments this season, maize stocks in Brazil are likely to more than triple in size to reach 6 million tonnes, as a result of record crops and in spite of a surge in exports.



Fourth consecutive fall in global rice carryover stocks

For the fourth consecutive year, global rice stocks are forecast to fall as consumption is again foreseen to outpace production worldwide. World rice inventories at the close of the crop seasons ending in 2004 are now forecast at 102 million tonnes, down 20 million tonnes from their opening level and 2.5 million tonnes lower than the previous FAO forecast.

Developments in China and India continue to be the major factor behind the worsening of the global stock situation. The deterioration of the production outlook for China in 2003 meant that larger supplies than had been anticipated in the last report would need to be released from inventories to meet domestic demand. As a result, China is now anticipated to draw 17 million tonnes from its rice reserves, 3 million tonnes more than were earlier anticipated, which would bring the estimated size of its stocks down from 78 million to 61 million tonnes. Despite the recovery in production and the expected fall in exports next year, India might also sustain a 2 million tonne drop in stocks to 12 million tonnes, the lowest level in the decade. Sizeable reductions are also attributed to Japan and the Republic of Korea, where the poor crops this season will need to be supplemented by supplies from their stockpile. In both countries, the governments have already started releasing rice from inventories to check a surge in prices. Large exports could also result in falling rice inventories in the United States. Some major importers are also expected to face a decline in their reserves, especially Indonesia and the Philippines. By contrast, carryover stocks could increase from their opening level in Bangladesh, Myanmar, Thailand and Viet Nam, a reflection of the good 2003 crops they are expected to harvest.

Export prices

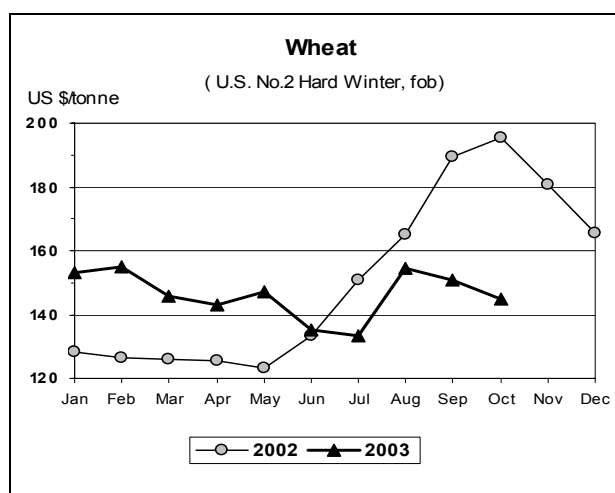
Prices for most cereals remain under downward pressure

Cereal Export Prices *

	2003		2002
	October	August	October
	(. US\$/tonne)		
United States			
Wheat	150	155	196
Maize	104	100	110
Sorghum	111	106	121
Argentina			
Wheat	148	155	155
Maize	101	98	105
Thailand			
Rice white	199	198	193
Rice, broken	159	151	161

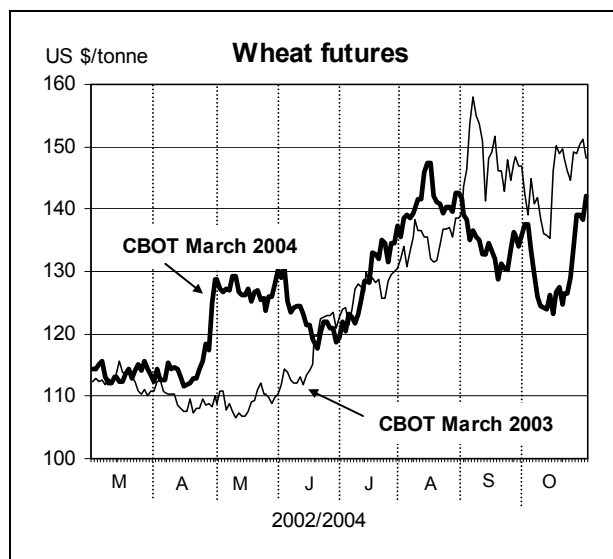
* Prices refer to the monthly average. For sources see Appendix Tables A.6 and A.7.

International wheat prices during the past two months weakened with values from most origins mostly below last year's levels. The main factor for the decline has been the apparent sharp reduction in global import demand. Although tighter supplies in Europe and the weakening of the value of the US dollar compared to other major world currencies provided some support to the US wheat prices, US wheat No. 2 (HRW, fob) averaged US\$150 per tonne in October, some US\$5 per tonne lower than in August and as much as US\$46 per tonne, or 23 percent, below the price in October 2002. In Argentina, despite the official downgrading of



the forecast for new crop after a two-month drought, prices were also generally weaker than last year's levels. The lack of upward pressure on Argentine prices also stems from a slower pace in exports, competition with Australia and Canada and interruption of sales to the Islamic Republic of Iran, the largest Argentine wheat customer after Brazil. In October, the

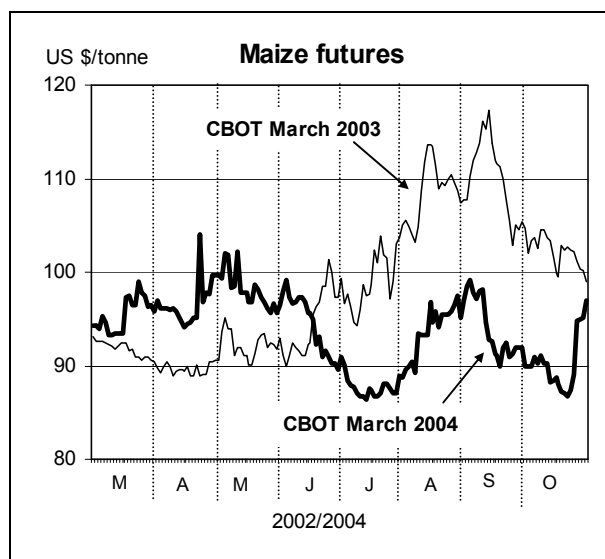
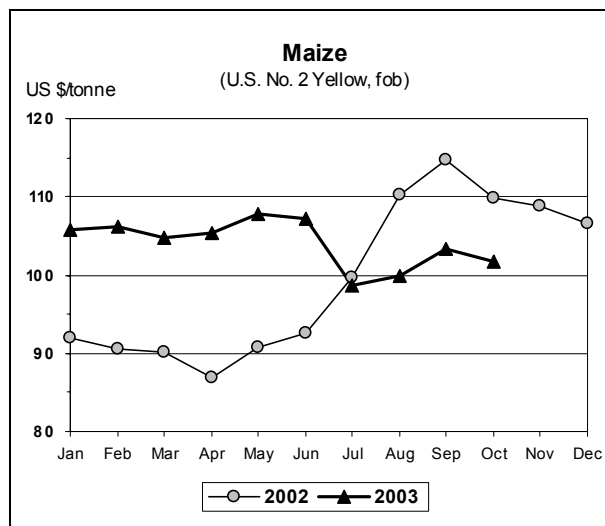
Argentine Trigo Pan prices averaged US\$148 per tonne (fob), some US\$7 per tonne, below the corresponding period last year.



Correspondingly, fundamentals in the futures market were also characterized by weak demand and strong competition among the major exporters (all except the EU). At the Chicago Board of Trade (CBOT), the US wheat futures lost more ground through mid-October mainly because of concerns over US export prospects and larger sales by other exporters to some of the more traditional US markets. However, wheat prices started to recover in recent weeks, supported by further declines in the US dollar and more US wheat purchases by China and the EU. By late October, March wheat futures contracts were quoted at US\$142 per tonne, representing an increase of about US\$5 per tonne since August, though still US\$8 per tonne below the corresponding period last year. The prospects for price movements in the coming months remain aligned with FAO's earlier expectations. Although tight supply conditions in Europe are likely to persist throughout the season, sufficient export availabilities elsewhere, combined with reduced demand by some of the world's leading importing countries and good winter wheat conditions, could add to more downward pressure on prices in the months ahead.

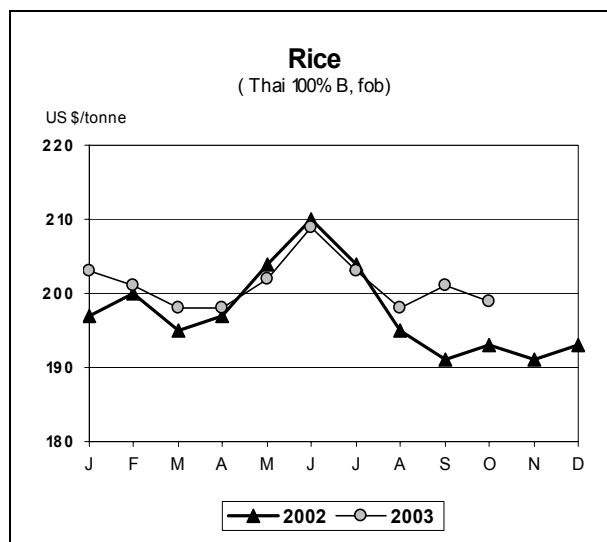
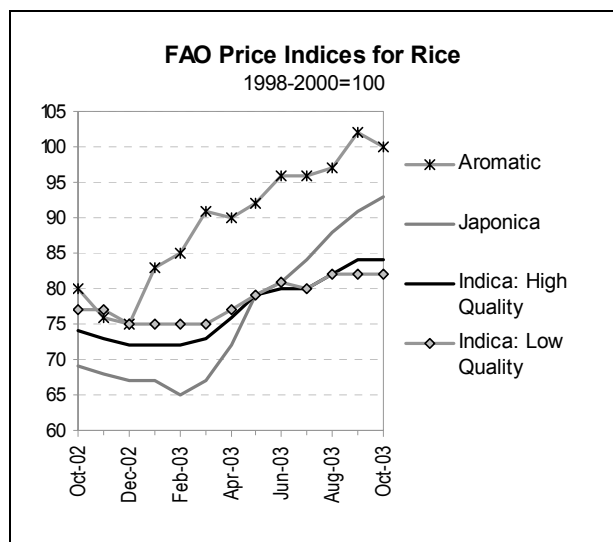
Export prices for nearly all types of **coarse grains** increased slightly over the past two months; stronger demand for US sorghum and European feed barley resulted in some upward movements in their values; and maize prices also rose slightly with the US maize export prices averaging US\$104 per tonne in October, still US\$6 per tonne below the corresponding period last year. This year's strong rebound in maize production in the United States, abundant supplies in Brazil and soaring freight rates are among the remain reasons for weaker maize prices. Maize futures were under downward pressure during September and early October as the direct result of seasonal harvest pressure in the US. However, since the mid-October,

the CBOT March 2004 maize futures were positively influenced by strong rallies in soybeans and rumours of China reducing its exports due to a tighter domestic situation. Nevertheless, as for wheat, the current supply and demand prospects for the global maize market do not augur any major upturn in prices in the coming months.



International **rice** prices have continued to rally since August, and the FAO Export Price Index (1998=100) rose from 85 in August to 87 in September and 88 in October. This strengthening affected all rice categories except for the lower-quality Indica rice, the index of which has remained at 82 since August. The upward price pressure softened somewhat in October when crops started to reach the markets in several important exporting countries.

Within the high-quality Indica rice categories, the price of US long grain N.2, 4% has surged by US\$44 to US\$349 per tonne since August, reflecting a tightening of supplies in the United States. By contrast, a release of high-quality supplies from stocks by the government



in Thailand dampened the upward pressure on prices and the increase was rather moderate for the Thai 100%B, which moved up a mere US\$1 per tonne over the three-month period. These price movements have led to a restoration of the price premium that US quality rice usually holds and that had almost disappeared in May.

By contrast, the prices of the lower-quality rice have remained stable since August, as illustrated by the level of the FAO sub-index for that category which remained constant at 82. This stability, however, reflected diverging tendencies, as prices of Pakistan rice fell sharply in October with the arrival of the new crop, while prices in Thailand and Viet Nam strengthened.

The FAO Japonica Price Index moved in an upward trend from 84 in August to 94 in October. The strength reflects the opening of several import tenders by Japan and the Republic of Korea. In addition, the crop

shortfalls in those two countries this year might have intensified the perception of an impending tightening of supplies for Japonica rice.

The Aromatic Rice Price Index also strengthened by two points between August and October, reflecting an increase of US\$10 per tonne both for the India Basmati and US\$15 for the Thai fragrant rice.

The price outlook for the next few months continues to be positive as current prospects confirm a tightening of market conditions. Moreover, the intention of the major exporters appears to be to avoid a repetition of the market situation in 2001 and 2002, when strong competition among suppliers led to tumbling world prices. In this connection, the Council for Rice Trade Cooperation, whose members are China, India, Pakistan, Thailand and Viet Nam, is to meet in November to discuss and exchange information on rice market prospects and possibly decide on a common export reference price.

Ocean Freight Rates

(Contributed by the International Grains Council)

General

The dry bulk freight market continued to strengthen in all sectors during the past five months, but the main surge in rates occurred during September-October 2003. The Baltic Dry Index (BDI), the main market indicator, reached record levels. It jumped by 2 210 points (95 percent) from 2 337 at the end of May to 4 547 on 28 October 2003, when it was standing at more than three times above its long-term average since 1985.

China's continued strong demand for iron ore, as well as the economic upturn in Japan and the United States increased demand for Capesize ships. Time-charter rates in the Pacific reached an all-time high of more than US\$80 000 daily. In the Atlantic, the Capesize

voyage rates for coal to Europe increased to US\$25.00 per tonne from South Africa, and to US\$20.00 per tonne from Brazil.

Panamax rates were pushed up by the Capesize sector, especially in the Pacific. Time-charter from Australia reached US\$50 000 daily. Increased scrapping of old ships put extra pressures on availability of tonnage.

Grain

Atlantic Panamax rates increased strongly due to expectations of larger maize and soybeans exports from the United States, with the benchmark grain voyage rate from US Gulf to Japan advancing from US\$35.00 per tonne in May to almost US\$40.00 per tonne by the end of October. The rate from US Gulf to

Chinese Taipei went up to US\$44.00 per tonne (US\$34.00 per tonne).

Time-charter contracts, rather than voyage fixtures, became the preferred method of business in order to spread the risks of further hikes in freight rates. During October, grain freight rates on the US Gulf - Japan route jumped by US\$13 500 to US\$32 000 daily with a US\$530 000 ballast bonus, while those on the active US Gulf – Egypt route were recently reported at US\$17 000 daily with a US\$325 000 ballast bonus.

In the **Pacific**, the Panamax market was exceptionally strong due to surging mineral trade, Chinese soybeans imports and anticipation of large new crop wheat and barley exports from Australia. Soaring shipping costs led some Asian grain importers to postpone their purchases or to switch to nearby supply source, such

as India for soybeans meal and China for feed wheat. Charterers had to resort to private deals, rather than placing orders on the market, to avoid further rate increases. Australia resumed wheat shipments to Iraq against contracts signed before the war. A grain voyage fixture was reported in October from Western Australia to Iraq at US\$37.00 per tonne.

The **Handysize** market followed the trend with very firm rates, especially in the Far East. Period rates in the Pacific increased to US\$15 000 daily. In the Atlantic, rates were supported by active grain trading from South America, US Gulf, the Black Sea ports and within Europe. The grain rate from Brazil to the EU (Antwerp-Hamburg) reached US\$29.50 per tonne (US\$25.00 per tonne). Grain fixtures from the US Gulf to the EU (Italy, Adriatic) were reported at US\$28.50 per tonne (US\$15.00 per tonne), while those to Algeria were indicated at US\$35.50 per tonne (US\$24.00 per tonne).

Meat and Meat Products

Global meat markets in 2003 are characterized by tightening exportable supplies, particularly from developed countries – traditionally the suppliers of nearly three-quarters of traded meat. Acute exporter competition is being heightened by differential price movements among the meats, shifting exchanging rates, sluggish demand growth and trade restrictions in major meat markets. In contrast to a 2-point decline in the FAO trade-weighted meat price index in 2002, international meat prices have been gaining upward momentum in 2003 with higher beef, pigmeat, and sheepmeat prices adding 5 points to the FAO index since the beginning of the year. Trade weighted prices for sheepmeat and beef have moved up 12 percent and 8 percent respectively, while pigmeat prices have moved up 2 percent. Weak demand for poultry has pressured the poultry price index down 12 percent from last year's average, although prices have recently been rising from the low levels recorded in late 2002 and early 2003.

Low producer returns, poultry disease outbreaks, adverse weather conditions and higher feed prices in some regions have been slowing global meat output gains in 2003. Estimated at 249.1 million tonnes, meat output in 2003 is expected to expand by only 1 percent. This contrasts to the meat market situation in 2002, when a recovery in the animal disease status among the major meat exporters in South America and Europe prompted higher slaughter and output gains that neared 4 percent. Constrained by lower productivity as a result of adverse weather and low animal inventories, output in the major exporting regions of North America, the EU and Oceania is expected to decline by 1 percent. Meanwhile, output gains exceeding 2 percent in South America and Asia

are pushing the output share of developing countries up 1 percentage point to 57 percent.

Rising international prices in 2003, the restrictive nature of trade policy developments in the Russian Federation and Japan, SARS in Asia and the BSE case in Canada have constrained meat trade growth to less than 1 percent at present, considerably lower than the 6 percent gains witnessed in 2002. Estimated at 19 million tonnes, the gains in global meat trade are expected to be supplied mainly by developing countries, pushing their export share of global trade up to 38 percent from 35 percent in 2002 and 29 percent in 2000. Exporter competition has so far been particularly keen in 2003 as limited meat supplies and rising prices combine with strengthening currencies in many developed countries to limit their competitiveness; this situation has led to a 3 percent decline in developed country meat exports.

Beef trade prospects robust despite rising prices

Lower animal inventories in the developed countries as 2003 opened, along with a slow-down in beef slaughtering are both expected to limit global beef output to 61.9 million tonnes, an increase of less than 1 percent over 2002's levels. The price-strengthening impact of tightening supplies in the major beef exporting countries in Europe, North America, and Oceania was aggravated by the discovery of a BSE-infected cow in Canada in May 2003. While effects on consumption were minimal, the temporary ban on beef and cattle shipments from Canada, a major exporter, has had ripple effects on supplies, prices and production in other markets, particularly the United States, the world's largest beef market.

International Meat Prices

	FAO index of international meat prices	Indicative international meat prices			
		Chicken ^{1/}	Pork ^{2/}	Beef ^{3/}	Lamb ^{4/}
	(. . 1990-92=100 . .)	(..... US\$/tonne			
1994	102	921	2 659	2 384	2 975
1995	99	922	2 470	1 947	2 621
1996	96	978	2 733	1 741	3 295
1997	96	843	2 724	1 880	3 393
1998	83	760	2 121	1 754	2 750
1999	84	602	2 073	1 894	2 610
2000	85	592	2 083	1 957	2 619
2001	84	645	2 077	2 138	2 912
2002	82	579	1 830	2 127	3 303
2003	87 ^{5/}	572 ^{5/}	1 880 ^{5/}	2 044 ^{6/}	3 757 ^{6/}
2003 Jan.	85	510	1 758	2 185	3 596
Feb.	86	513	1 821	2 140	3 582
Mar.	87	552	1 942	2 103	3 522
Apr.	85	567	1 902	2 028	3 503
May	86	590	1 861	1 947	3 744
Jun.	88	570	1 838	2 055	4 027
July	87	621	2 050	1 786	3 941
Aug.	n.a.	644	1 870	2 009	3 919
Sept.	n.a.	n.a.	n.a.	2 139	3 977

Source: FAO

^{1/} Chicken parts, United States export unit value. ^{2/} Frozen pork, United States export unit value. ^{3/} Manufacture cow beef, Australia, cif prices to the United States. ^{4/} Lamb frozen whole carcass, New Zealand, wholesale prices London. ^{5/} January-August 2003 ^{6/} January-September 2003.

Globally, per capita beef consumption is anticipated to expand by 1 percent in 2003, as rising beef prices hamper a continuation of the record demand growth witnessed in 2002. While consumption in developed countries is set to decline by one percent to 22.7 kg/caput, stronger demand for higher quality beef in many countries in Asia is pushing up per capita consumption in developing countries by 2.6 percent. As developing country beef consumption grows, the shift in world beef production from developed to developing regions will continue to accelerate in 2003, with developing countries estimated to account for 52 percent of global production and consumption in 2003, up 3 percent from last year and up 12 percent since the early 1990s.

Global beef trade is estimated at 6 million tonnes, up 2 percent. Rising prices, the identification of a BSE-infected cow in Canada – a major exporter– and the imposition of trade barriers in the two largest beef markets – Japan and the Russian Federation are limiting trade gains to one-third of last year's level. While growth in the beef trade is below 2002 levels, when beef consumption recovered in the aftermath of BSE concerns among consumers and trade resumed from previously FMD-afflicted exporters, it is nevertheless above the five-year average and exceeds the trade gains expected for other meats in 2003. A continued recovery in Asian import demand,

particularly from China, the Philippines and the Republic of Korea, is expected to more than offset declining imports by North America, a region accounting for 20 percent of global imports. This recovery comes despite low Japanese import demand which, while partially recovering from the BSE crisis in 2001–02, is still being hampered by the beef prices that rose by 20 percent in the first half of the year and by the August 2003 imposition of higher tariffs on chilled beef products. Imports into the Russian Federation, expected to decline by 6 percent, have been less affected by the imposition of tariff rate quotas (TRQs) than pigmeat and poultry, because beef from other CIS countries is allowed free market access. Meanwhile, in the EU, declining domestic beef supplies combined with rising beef prices are prompting a shift in their net trade position; imports are likely to hit record levels, with nearly 62 000 tonnes, or 17 percent of total imports, being imported into the region at full duties of over 100 percent.

Competition between exporters has been particularly keen in 2003: South American exports, supported by devalued currencies and lower average export prices, have been recovering and pushing up the region's share of global exports to 27 percent, up from 18 percent in 2001. While beef from the United States, despite higher export prices, has continued to expand in 2003, lower shipments from Canada, the EU and

Australia are reducing developed country exports by 5 percent.

Tighter supply availabilities limit pigmeat trade gains

Constrained profitability in early 2003 in many major pig-producing countries has slowed growth in output in 2003 to less than 2 percent to a level of 95.8 million tonnes. Production in Europe and North America, accounting for one-third of global supplies and two-thirds of world exports, is down slightly from 2002 as the result of low prices in late 2002 and mid-year weather-induced productivity losses in Europe. This decline comes in spite of export-driven gains in Canada, the world's largest single country exporter. Pigmeat supplies in developing countries, while expanding to 60 percent of world output, grew by only an estimated 2 percent in 2003, one-half the rate that has been witnessed over the past five years. Lagging consumer demand, low domestic pigmeat prices and export constraints, particularly for products moving into the Russia Federation, slowed output growth in both China and Brazil. Conversely, in Viet Nam and the Philippines, growing demand prompted strong output gains, despite higher feed costs.

for 40 percent of global imports in 2002, simultaneously imposed trade-restricting measures on pigmeat in mid-2003. For the third consecutive year Japan extended its safeguards and has raised minimum import prices by 25 percent. This factor, accompanied by stagnant demand in China and the Republic of Korea, is reducing Asian imports (40 percent of global pigmeat trade) by 2 percent. Meanwhile, the imposition of TRQs by the Russian Federation has raised domestic prices by 35 percent and is expected to reduce imports by 20 percent. Constrained market access is provoking a considerable scramble for market share among exporters. Rising pigmeat prices in Europe, limited use of export restitutions, and the high value of the Euro are leading to difficulties in competing with low-priced Brazilian product in the Russian Federation and elsewhere. Consequently, EU exports are expected to decline 15 percent, pushing down the EU's share of global pigmeat trade in 2003 to 26 percent, compared with 31 percent in 2002 and 37 percent in 2000. Despite slowing supply availabilities in North America, exports are expanding with Canada benefiting from increased slaughter and processing capacity and strong import demand in the United States.

World Meat Production

	2002	2003 estimate	2004 forecast
	(. . . . million tonnes)		
WORLD TOTAL	245.9	249.1	253.1
Poultry meat	73.8	75.2	77.3
Pig meat	94.3	95.8	97.3
Bovine meat	61.6	61.9	62.1
Sheep & goat meat	11.6	11.7	11.9
Other meat	4.5	4.5	4.6
DEVELOPING COUNTRIES	138.2	141.5	145.0
Poultry meat	39.5	40.6	42.0
Pig meat	56.3	57.5	58.6
Bovine meat	31.2	32.1	32.8
Sheep & goat meat	8.3	8.5	8.6
Other meat	2.9	2.9	2.9
DEVELOPED COUNTRIES	107.6	107.5	108.1
Poultry meat	34.3	34.5	35.2
Pig meat	38.0	38.3	38.7
Bovine meat	30.4	29.8	29.3
Sheep & goat meat	3.3	3.2	3.2
Other meat	1.6	1.7	1.7

Source: FAO **Note:** Total computed from unrounded data.

Growth in the poultry sector stalls, prices stumble

Poultry markets in 2003 are characterized by the slowest output growth in over 30 years because of low prices, disease and weather problems, increased non-tariff trade barriers among importing countries and heightened competition among exporting countries. Lower poultry meat prices going into 2003 have translated into world production of 75.2 million tonnes in 2003 with output gains of less than 2 percent, only one-half the level during the period from 1995 to 2002. While poultry output in the United States, the largest poultry exporter, is up marginally, adverse weather in the EU combined with disease-related losses in the Netherlands are estimated to have led to a decline in EU production of nearly 4 percent. Meanwhile, developing country output gains, at 3 percent, are expanding by less than one-half the level in 2002. Factors affecting this slower growth include reduced profitability in South America, where feed costs increased in the first half of the year, and the impact of SARS in Asia, which had a dampening effect on poultry consumption and prices. However, a recovery in Asian poultry consumption and prices has been prompting late-year output gains in Thailand and China, the region's largest producers and exporters. In India, which is now exporting frozen whole birds to the Middle East, higher product prices and continued investment in industry capacity and productivity are expected to support output gains of 14 percent.

Recovering beef demand in developing countries and the imposition of trade restricting policies in two major markets is limiting global pigmeat trade in 2003 to 4.1 million tonnes, less than one percent above 2002. Japan and the Russian Federation, which accounted

The imposition of country-specific quotas in the Russian Federation, the outbreak of SARS and subsequent economic impact in Asia, and market closures due to the outbreak of Avian Flu in numerous growth in the global poultry market. Poultry trade has

been estimated at 7.9 million tonnes for 2003, which means that the level has remained unchanged since 2002, a considerable reversal from the past five years when 7 percent annual poultry gains considerably surpassed those of other meats. Sluggish consumer demand is lowering imports by China, Japan and the Republic of Korea; market access to China has further been complicated by administrative problems in obtaining import permits. The imposition of poultry quotas in the Russian Federation, the world's largest poultry importer (nearly 60 percent of consumption is import-derived), is leading to an estimated 20 percent drop in imports and reports of domestic prices rising by 28–90 percent, depending on the cut, during the April–September period. In Europe, where prices are rising in the context of decreasing supplies, imports are expected to be up despite the closure of a tariff loophole in August which should slow the pace of year-end imports.

Limited export supply availability in developed countries, particularly in the United States and Europe, is eroding their already declining share of global exports, estimated at 47 percent in 2003, down from 64 percent in 1999. Meanwhile, relatively low production costs in Brazil and a favourable currency are prompting 8 percent trade gains there, while their Asian rival, Thailand, continues to expand exports of processed poultry products to Japan and the EU.

Tight sheepmeat exportable supplies push prices higher

The impact of severe drought in Oceania, combined with a continuation of the long-term downsizing of sheep industries in developed and transition countries, has been limiting sheepmeat output gains in 2003 to 1.2 percent, below the five-year average of 2 percent. Developed countries are set to register their third consecutive year-over-year drop in production, with Australia's output expected to plummet by 15 percent. However, output growth of 2 percent in developing countries, which account for nearly three-quarters of global production, will be supported by a recovery in animal inventories and higher productivity in previously drought-afflicted countries such as Afghanistan, Ethiopia and the Islamic Republic of Iran. In Iraq, livestock conditions are generally stable, particularly in the north; it is expected that favourable pasture conditions, a low incidence of diseases and the availability of cheap feed will result in an overall improvement in the sheepmeat sector. The ovine sector continues to be critical to the rural sectors in the above-mentioned countries, with per capita consumption of 5–8 kg/caput accounting for 25–40 percent of total meat consumption; this figure significantly exceeds the global per capita average of 1.9 kg/caput.

Tight exportable supplies and strong import demand are pushing up international lamb prices to record highs. Global sheepmeat trade is estimated at 690 000

tonnes, virtually unchanged from last year with demand for imported lamb expected up to all the traditional markets in Canada, the EU, Mexico and the United States. The continuing devaluation of the South African Rand is strengthening imports despite high prices, and imports were up nearly 30 percent by mid-year. Conversely, in some other price-sensitive markets such as Papua New Guinea, the strengthening of exporter currencies has reduced demand. As regards exports, in Australia, the supplier of 40 percent of global exports, a combination of drought-induced declines in numbers of sheep, high domestic prices and the continued shortage of heavy export lambs is contributing to a 10 percent decline. However, favourable weather and higher lambing percentages in New Zealand are facilitating exports, with additional export supplies originating from some non-traditional exporters such as Argentina and Chile, which have benefited from increased EU sheepmeat quotas.

World Meat Exports ^{1/}

	2002	2003 estim.	2004 forecast.
	(. . . thousand tonnes . . .)		
WORLD	18 773	18 930	19 578
Poultry meat	7 870	7 871	8 104
Pig meat	4 061	4 079	4 122
Bovine meat	5 876	5 991	6 338
Sheep meat and goat meat	721	700	723
Other meat	283	289	289

Source: FAO

Note: Total computed from unrounded data.

^{1/} Includes meat (fresh, chilled, frozen prepared and canned) in carcass weight equivalent; excludes live animals, offals and EU intra-trade.

Meat prospects in 2004

Continued short-term price recovery will likely prompt a slight rebound in production in 2004, with global meat output anticipated to increase 2 percent to 253.1 million tonnes. The low supply growth that characterized the poultry and pigmeat markets in 2003 is projected to abate as stronger economic prospects in both developed and developing countries strengthen demand for meat. However, the anticipated growth in pigmeat and poultry output will not be matched in the beef sector as herd rebuilding starts in the United States and Oceania. The tighter supplies typically associated with herd rebuilding are anticipated to limit their export potential; growth in beef supply availabilities is expected to come from developing countries.

The influence of trade-restricting measures in Japan and the Russian Federation, two of the major meat importing countries, will persist in 2004 because it is anticipated that both countries will maintain restrictive

tariffs and TRQs. However, overall meat trade is expected to grow 3 percent, supported by strong import demand from the United States as its meat supplies decline and a rising Asian demand for pigmeat and poultry, particularly in China. Continued

tightened supplies of beef, combined with a recovery in trade, are likely to maintain upward pressure on beef prices in 2004. Some stabilization is expected for pigmeat and poultry meat in the context of higher production.

Milk and Milk Products

Prices rise during second-half of 2003

International dairy product prices strengthened during the second half of 2003 as a result of limited export supplies and sustained import demand. The FAO price index for dairy products stood at 123 in October 2003, compared to an average of 114 during the first six months of the year: in October 2002, a year earlier, the index value was 90. To date this year, butter and cheese prices have increased more strongly than those of milk powder, (powder had risen strongly in the second half of 2002). Compared to mid-2003 prices (June–July average), October prices increased as follows: butter by 18 percent, cheese by 11 percent, skimmed milk powder by 6 percent and whole milk powder by 5 percent. International prices were higher in terms of US dollars; this rise was tempered, however, by an increase in the value of several important exporters' national currencies (European euro, New Zealand and Australian dollars and Argentine peso) against the US dollar. As a result of rising international prices, the domestic industries in developing countries with relatively open markets have been less subject to competition from low-priced imports.

Indicative Dairy Export Prices

	2002	2003		
	Oct.	Aug.	Sept.	Oct.
	(US\$/tonne, f.o.b.)			
Skimmed milk powder	1 361	1 727	1 765	1 829
Whole milk powder	1 352	1 748	1 789	1 853
Acid Casein	3 539	3 926	4 012	4 156
Cheddar cheese	1 501	1 848	1 916	1 995
Butter	1 067	1 393	1 432	1 542

Source: Mid-point of price ranges reported by Farmnet (NZ) and USDA.

The increase in international prices is attributable mainly to marginal production growth and, in some cases, to declining production in exporting countries in Oceania, South America and some parts of Europe, leading to limited export supplies. As world prices rose, export subsidies paid by some high-cost producing countries in the Northern Hemisphere fell. In the case of the United States, average monthly export subsidies

for skimmed milk powder declined from US\$142 per tonne in March 2003 to US\$121 per tonne in August 2003. In the EU, export subsidies for dairy products also fell, particularly for cheese – reflecting relatively stronger international prices for this product. In the EU at the end of August, subsidies for Gouda cheese were reduced from Euro 1 108 per tonne to Euro 1 000 per tonne – a 10 percent decline. At the same time, EU export subsidies on milk powder and butter were reduced by around 4 percent. Despite declines in export subsidies, the amount of subsidy required to bring domestic prices for dairy products in high-cost producing countries down to world market levels remains substantial. As an illustration, recent levels of subsidy needed to export butter were US\$1 973 per tonne in the United States and Euro 1 780 per tonne in the EU.

World milk production grows in 2003; however, there are marked regional differences

Global milk output is expected to rise by approximately 1 percent during 2003, mainly as a result of increased production in Asia, Central America and New Zealand. In Oceania, milk production for the 2003/04 dairy year in New Zealand is anticipated to be 5 percent higher than for last year. Most areas of the country received plentiful rainfall during the spring, and prospects for pasture growth are good, although in some sections of North Island pastures were waterlogged. In Australia, continued reduced rainfall in some areas of the country is expected hinder recovery from last year's drought. Consequently, milk production could rise only marginally, perhaps by 1–2 percent, in the coming 2003/04 season. In light of these factors, milk production for the end of the current dairy year for New Zealand is forecast at 15 million tonnes and for Australia at 10.6 million tonnes. In both countries, the national dairy herd is in a phase of expansion, in contrast to most other developed countries; however, in the case of Australia, culling linked to the last season's drought could lead to a temporary reversal in herd growth. Since the beginning of 2003, the currencies of Australia and New Zealand have strengthened by 19 percent and 13 percent respectively against the US dollar, compounding the strong growth seen in 2002. As international prices for dairy products are quoted in US dollars, the appreciation has had the effect of diluting the rise in international prices during 2003, in terms of local currencies. For example, in Australia, despite a fall in

production, farmgate prices for milk for the 2002/03 season were 9 percent below last year's. Australia exports more than 50 percent of its milk production as milk and milk products, thus domestic returns are highly sensitive to changes in international prices and exchange rate fluctuations.

Milk Production

	2001	2002 prov.	2003 forecast
	(. . . . million tonnes)		
WORLD	579.9	594.0	599.1
EU	126.1	126.7	126.8
India ^{1/}	82.0	84.6	88.0
United States	75.0	77.3	77.5
Russian Fed.	33.0	33.5	33.2
Pakistan	27.0	27.7	28.4
Brazil	22.4	22.8	23.5
Ukraine	13.4	14.1	14.3
New Zealand ^{2/}	13.2	13.9	14.2
Poland	11.9	12.0	11.8
Australia ^{3/}	10.5	11.3	10.3
Mexico	9.5	9.6	9.8
Argentina	9.6	8.2	7.7

Source: FAO

1/ Dairy years ending March of the year shown.

2/ Dairy years ending May of the year shown.

3/ Dairy years ending June of the year shown.

In the United States, 2003 milk production is expected to be slightly higher than for last year to reach 77.5 million tonnes. Growth should stem from increased yields and cyclical herd rebuilding. During the second half of 2003, US producers introduced a scheme intended to reduce milk production and increase milk prices: "Cooperatives Working Together" (CWT), which may have some impact on national milk production in 2004. Milk production in a number of other developed countries (Canada, EU and Japan) is subject to policies that restrict output and consequently changes little from year to year.

In eastern Europe, milk production is not expected to increase in most countries in 2003, as a result of dry summer conditions. In most countries, yield per cow is increasing while the size of the national herd is decreasing. Also in eastern Europe, for example in Poland and Hungary, the impetus of imminent membership to the EU has resulted in dairies raising quality standards for milk and milk products – one result of which has been a reduction in the number of small-scale dairy producers, some of whom were not able to meet the required standards. In Hungary, it is estimated that 10 000 such producers may cease production. Other countries in the region, such as Bulgaria and Romania, have introduced government-

funded incentives to raise milk quality standards. For example, Bulgaria has announced that in 2004 it will begin closing dairy farms and dairies that do not conform to EU standards; moreover, along with this process, domestic quality standards for milk will be raised.

Milk production in the Russian Federation, after a decade of decline, has stabilized in recent years, although an expected phase of growth has yet to materialize. In general within the Federation, the size of the milking herd has continued to decrease, but feed availability has improved, raising yields per cow. Russian production is moving away from the large, former state-run farms to small-scale ownership and production. Similarly, in a number of other member states of the CIS, where milk production also declined markedly throughout the 1990s, milk output in 2003 is expected to be stable compared with last year.

In the developing countries overall, growth in milk production is expected to continue; however, a number of countries in Latin America could see a decline in output. In Asia, India's milk production during the 2003/04 (April/March) marketing year could rise to above 90 million tonnes. This year, heavy rainfall during the monsoon season points to greater availability of fodder in India. Increased milk output in India is based more on improved feeding and genetics than on herd expansion. In China, milk output is also projected to rise as a result of strong consumer demand and the profitability of dairying compared with other types of agricultural production. As a result of rising international prices, dairy companies turned to expanding domestic supplies of milk during 2003 – principally by increasing herd size. In Thailand and the Philippines, milk output will probably increase further in 2003 as a result of favourable domestic milk prices. Along with most of the rest of South East Asia, demand for dairy products in these countries continues to grow as people's diet becomes more diversified.

In Latin America, milk production was affected in many areas by low prices; consequently, it is anticipated that output in a number of countries will decline. In Argentina, milk output is set to decline further in 2003, following a sharp reduction in 2002, as a result of variable pasture quality and low milk prices. Most recently, improved international prices and some recovery in domestic demand led to growth in intake by processors and to higher farm-gate prices: in October 2003 prices were between US\$0.15 and US\$0.17 per litre. For 2004, this price increase may be sufficient to halt, or at least stem, the sharp falls in Argentine milk output experienced over the past three years. Producers in Uruguay also suffered from low farm-gate prices as result of decreased domestic and regional demand and low international prices. For the 2002/2003 season, prices averaged US\$0.10 per litre,

the lowest price in 25 years. As a result, production has dropped despite a government support programme and favourable weather conditions for pasture growth. Since mid-2003, however, farmgate prices in Uruguay have risen significantly. Not only have higher international prices contributed to this rise, but there has also been increased competition for milk supplies as Argentine dairies have begun sourcing milk in Uruguay. It appears that the dairy industry in Uruguay has passed the most difficult period; however, it is doubtful if production growth will return to the levels seen in the 1990s, as other activities – such as meat and oilseed production – are yielding higher returns than milk. Following a fall of 1 percent in 2002, milk production is expected to decline further in Chile in 2003, perhaps by as much as 5 percent. Major factors in this drop are low prices and stagnant domestic demand.

Elsewhere in Latin America, milk production in Peru is expected to grow in 2003 in response to higher prices resulting from rising domestic demand, including purchases by the government for social assistance programmes. Output is also anticipated to increase in Honduras as a result of improved infrastructure stemming from the construction of milk collection centres around the country's main producing regions, where groups of 10 to 15 farmers cool their milk before selling and delivering it to processing plants, receiving a premium price over their once-warm milk.

Some countries in West Africa suffered from a lack of rainfall during 2002. In 2003, while rainfall has been generally good, milk production has been slow to recover as the number of cows in calf was severely reduced in the aftermath of the previous year's drought. In some areas, for example Senegal and Mauritania, farmers migrated with their cattle in search of better pastures. This caused a shortage of fresh milk supplies for dairies in urban areas, which found themselves obliged to turn to supplies of imported milk powder to meet their processing needs. In Senegal, a large private-sector dairy withdrew from processing domestic milk in September 2003 to concentrate on producing dairy products based on imported materials. While the company's processing capacity was taken over by a government agency, the development of a domestic industry in the face of competition from imports is expected to be a significant challenge. In Kenya, well-distributed rains in 2003 provided good fodder availability and a favourable production outlook. Production has also been encouraged by stronger retail prices for milk in the main market – Nairobi – which also led to milk being shipped in from outside the usual Nairobi milk shed. Many other countries in East Africa received abundant rain during the year, resulting in favourable conditions for fodder and pasture growth.

Import demand in Asia and some other important markets remains strong

International demand for dairy products is expected to remain firm, particularly in certain Asian countries. Increased purchases of milk powder by countries in Southeast Asia and China, are anticipated to meet rising domestic demand. Elsewhere, imports by Central American countries and the important markets of Mexico and Algeria could increase. Imports of milk products by Brazil had fallen by 60 percent from January to September compared to the same period in the previous year. This drop reflected a fall in domestic demand caused by a lack of economic growth. Purchases of milk powder by Venezuela were also anticipated to be lower, in part as a result of difficulties faced by traders in obtaining import licenses. Imports of butter and cheese by the Russian Federation grew substantially in 2003, despite an increase in tariffs in the previous year. However, purchases of butter by some countries in the Near East and Africa, which are the most price-sensitive importing regions, could fall in the light of the higher international prices seen during 2003. Amongst the countries which may reduce imports are Egypt, Lebanon, Nigeria and Kenya.

Export supplies limited, reflecting little or no production growth in exporting countries

For the 2003/04 dairy year, export supplies of dairy products are anticipated to be moderately higher from New Zealand and slightly higher from Australia – reflecting different rates of milk production growth. Export availabilities from South America are expected to be similar to the previous year, while those from eastern Europe and the Baltic States could be lower as a result of reduced milk production. Following a WTO ruling at the end of 2002 against Canada's dual pricing system for milk, which allowed milk produced outside the country's quota system to be exported, Canadian dairy product exports are expected to fall in 2003. As a result of limited international supplies of dairy products, exports by both the EU and the United States are anticipated to be higher in 2003. While exports of bulk dairy commodities from both countries are constrained by the Uruguay Round Agreement limits on the use of export subsidies, recent years have seen a growth in the export of higher value products, which do not require subsidies. In the case of the United States, such exports now account for a greater volume of exports than bulk items requiring subsidy.

Moderate price rises foreseen

Continued moderate price rises for the remainder of 2003 are anticipated in response to sustained international demand and limited export supplies. It is expected that the greatest price rise will be seen for cheese and butter.

Oilseeds, Oils and Oilmeals^{1/}

Growth in world oilseed production to accelerate in 2003/04

Prospects for the current marketing season point to a new record in total oilseed output. In 2003/04 (October/September), global production is forecast to increase 5.6 percent above the previous season's level, which corresponds to an additional 19 million tonnes. This forecast is based on the anticipated significant output increases in Asia (in particular China and India) and the bright production prospects reported for South America, which are anticipated to more than offset the production declines expected both in the United States and the EU.

World Production of Major Oilseeds

	2001/02	2002/03 estimate	2003/04 forecast
	(. . . . million tonnes)		
Soybeans	185.1	195.8	202.3
Cottonseed	36.9	33.5	35.6
Rapeseed	36.5	32.0	36.2
Groundnuts	34.4	31.5	34.6
Sunflowerseed	21.4	24.3	26.7
Palm kernels	7.1	7.6	7.8
Copra	5.2	5.4	5.4
Total	326.6	330.3	348.5

Source: FAO

Note: The split years bring together northern hemisphere annual crops harvested in the latter part of the first year shown, with southern hemisphere annual crops harvested in the early part of the second year shown. For tree crop, which are produced throughout the year, calendar year production for the second year shown is used.

World soybean production is forecast to increase by almost 6 million tonnes. Record performances are anticipated particularly for the Argentine and the Brazilian crops, which are projected to rise for the fifth consecutive year. South American soybean farmers are expected to respond to the ongoing price increase by expanding total plantings by another 10 percent. Furthermore, assuming normal-to-favourable weather conditions, yields are provisionally set around last season's record level, which will exceed those of the United States again. In Brazil, uncertainty surrounding genetically modified (GM) seeds has come to an end, as the cultivation of GM soybeans was finally authorized in September 2003. If the expected reduction in production costs associated with the use of the new varieties materializes, this could further increase the competitiveness of soybean vis-à-vis competing crops. In the United States, by contrast, it has been estimated that soybean output will fall significantly for the second consecutive season. Because of unfavourable weather conditions,

prospective yield levels are well below average and production is projected to drop by at least 4 percent. As a result, the US share in world production is anticipated to fall to a historical low of 36 percent. In China, soybean output could slightly exceed last season's record level, whereas in India production is expected to recover fully from last year's reduced level.

Record global supplies are also projected for sunflower seeds. Output is expected to grow, especially in the CIS and in some eastern European countries, where weather-related losses of winter grains led to extensive replanting, primarily with sunflower seed. In the EU, on the contrary, production forecasts point to a 16 percent reduction as adverse weather reduced yield levels.

Rapeseed production forecasts point to a marked recovery in global output, based on sizeable increases in all major producing regions except the EU and the eastern European countries, where crops have suffered from bad weather. In Canada, output expansion is due to a marked price-driven increase in area as well as a recovery in yields. China's and Australia's expansion would also reflect yield improvements. In India, rapeseed and mustard seed production are expected to benefit from adequate soil moisture after a good monsoon season.

Global production of cottonseed is projected to grow, recovering from the reduction that took place last season. Output growth is anticipated mainly in developing countries, and particularly in South Asia. The world output of groundnuts is also anticipated to rise, largely because of favourable weather conditions in India and the recovery of production in the United States. Global production of copra is projected to remain unchanged from last season's level.

Sizeable increases expected in both global oil and meal production^{2/}

Based on the above crop forecasts, growth in aggregate production of **oils and fats** is forecast to accelerate in 2003/04, increasing by about 4 percent, compared to only 2 percent over the past three

1/ Almost the entire volume of oilcrops harvested world-wide is crushed in order to obtain oils and fats for human nutrition or industrial purposes and cakes and meals used as feed ingredients. Therefore, rather than referring to oilseeds, the analysis of the market situation is mainly undertaken in terms of oils/fats and cakes/meals. Hence, production data for oils (cakes) derived from oilseeds refer to the oil (cake) equivalent of the current production of the relevant oilseeds, while the data on trade in and stocks of oils (cakes) refer to the sum of trade in and stocks of oils and cakes plus the oil (cake) equivalent of oilseed trade and stocks.

2/ This section discusses expected developments in the production of oils and meals from all origins, which – in addition to products derived from the oil crops discussed in the previous section – include palm oil, marine oils and meals as well as animal fats.

Oilseeds and products: Global supplies, trade and utilization

	2001/02	2002/03 estimate	2003/04 forecast
	(. million tonnes)		
Seven major oilseeds ^{1/}			
Production	327	330	348
Oils and fats ^{2/}			
Production	123	125	131
Supply ^{3/}	140	141	145
Utilization ^{4/}	124	126	130
Trade	57	61	62
<i>Stock/Util. Ratio (in Percentage)</i>	13%	11%	11%
Oilmeals and cakes ^{5/}			
Production	86	88	92
Supply ^{3/}	97	97	102
Utilization ^{4/}	87	88	91
Trade	48	51	53
<i>Stock/Util. Ratio (in Percentage)</i>	11%	10%	11%

Source: FAO

Note: Refer to footnote 1/ in the text for further explanations regarding definitions and coverage.

1/ Includes soybean, rapeseed, sunflowerseed, groundnut (unshelled), cottonseed, copra and palm kernel. The split years bring together Northern Hemisphere annual crops harvested in the latter part of the first year shown and Southern Hemisphere annual crops harvested in the early part of the second year shown. For tree crops, which are produced throughout the year, calendar year production for the second year shown is used. 2/ Includes oils and fats of vegetable and animal origin. 3/ Production plus opening stocks. 4/ Residual of the balance. 5/ All meal figures are expressed in protein equivalent. Meals include all meals and cakes derived from oilcrops as well as fish meal.

seasons. Such expansion reflects the increased availability of certain oilseeds combined with the fast growth in crushing capacity occurring in some of the major emerging economies such as China and India. Although production of all soft oils and tropical oils is anticipated to grow, the current season is expected to see a marked slowdown in the production growth of palm oil. This decline is probably the result of reduced planting over the past few years, the biological yield cycle of the trees and the negative effect of recent rainfall shortages on prospective yields. Tighter supplies of palm oil should be offset by increased availability of groundnut, sunflower and rapeseed oil.

About 3 million tonnes of the approximately 5 million tonne rise in oil output is expected to come from developing countries. South America could account for about one third of the increase, while the remaining expansion is projected to take place in Asian countries. Among these, India is set to increase its oil output by

more than 10 percent. In China, production should continue to expand, thanks also to massive installation of new crushing facilities. Indonesia, Malaysia and the Philippines are expected to increase their production of tropical oils, partly achieving new record levels. In the Northern Hemisphere, vegetable oil output is projected to increase significantly in Canada, some eastern European countries and the CIS. A modest rise in oil output is expected in the EU, while production levels are forecast to remain about the same in the United States.

With regard to global supplies of oils/fats (i.e. 2002/03 ending stocks plus 2003/04 production), a more modest increase of about 2 percent is expected as carry-in stocks for the new season have dropped substantially, reaching a five-year low. A significant portion of the production increase projected for this season will therefore be used to offset lower initial inventories.

As regards meals/cakes, growth in aggregate output is projected to exceed 5 percent. The sizeable increase is probably set to come from both soybean and non-soybean meals, as crushing of all major oilseeds is expected to increase; this growth will be based on increased demand for seed oils following tighter palm oil supplies. The rise in global soybean meal output is projected to come primarily from Brazil, Argentina, China and India. In the EU, reduced local production of rapeseed and sunflower seeds is expected to lead to a drop in total output to well-below-average levels. The increase in global supplies of meals/cakes is limited to 4 percent, because stocks carried over from the 2002/03 season are exceptionally low.

Reduced expansion in world oil use, but steady rise in global meal consumption

Global utilization of oils/fats is expected to grow only slightly compared to previous seasons, increasing by less than 3 percent. With regard to individual oils/fats, last season's boost in world oil palm consumption is not expected to be repeated in 2003/04 given the anticipated slowdown in palm oil production growth. The bulk of consumption rise is projected to take place in developing countries, as the result of significant improvements in general economic growth combined with stable population increases. As consumer demand for oils tends to be income elastic in most developing countries, the anticipated growth in per caput income can be expected to stimulate consumption.

The most dynamic markets, relatively speaking, appear to be in Asia and, to a lesser extent, in North Africa. The consumption increase expected in India is particularly noteworthy. The anticipated 5 percent rise implies a full recovery – also in terms of per caput consumption – from the reduction experienced in the previous season or when high domestic prices and reduced rural purchasing power (both related to a shortfall in production) led to a sizeable drop in per caput consumption. Projections for China point to

another significant growth in utilization, currently estimated at around 6 percent.

Total **oilcakes/meals** utilization is projected to expand 4–5 percent. Underlying this forecast is the prospective surge in production of soybean meal combined with a marked increase in the availability of other meals. Almost two-thirds of the increase in apparent consumption is expected to materialize in developing countries, mostly as a result of increased demand in Southeast Asia. Over the past few years, this area has developed into one of the most dynamically expanding markets for oil meals. Rising demand for meals/cakes is the result of increased production of livestock, which in turn is triggered by sustained income growth and concomitant shifts in consumer habits. In the EU, the world's leading consumer of oil meals, consumption is projected to rise significantly in spite of an anticipated stagnation in livestock production. The explanation for the record consumption lies in this year's reduced output of domestic feed grain and forage. In the United States, meal consumption is expected to remain unchanged because of a projected reduction in supplies and stagnating livestock production.

Global stock levels to remain below average for oils/fats while improving for meals/cakes

Based on current forecasts, global **oil/fats** stocks in 2003/04 are estimated to recover only slightly from the previous season's exceptionally low level. This forecast reflects the prospect of continued tight markets, and growth in global utilization will most likely exceed that of global supplies for the second consecutive season. The global stocks-to-utilization ratio is likely to remain unchanged from the unusually low level of the past season. Regarding **meals/cakes**, after declining for the last two seasons, total stocks are tentatively estimated to recover about 4–5 percent. The global stocks-to-utilization ratio for meals/cakes is expected to grow slightly, pointing towards a possible weakening of international meal prices during 2003/04. Overall, countries that might replenish stocks during the current season include Argentina, Brazil, Canada, China, India and Malaysia. By contrast, a further draw-down in stocks may occur in the United States.

Slowdown in global trade of oils/fats, but steady rise expected in meals/cakes trade

In 2003/04, global trade in oils/fats could grow much less than in the previous season. Last season's surge in purchases by key importing countries, in particular China and India, is not likely to be repeated, provided the anticipated recovery of domestic production in these nations materializes. Imports by China and India are currently forecast to climb between 1–3 percent to maximums of 9 million and 5.9 million tonnes, respectively. In traditional importing developing countries in Africa, as well as in Mexico and the Republic of Korea, the steady demand growth is

expected to support further expansion in imports. Purchases by the EU are anticipated to surge to a record 11.9 million tonnes, mainly a result of shortfalls in this year's domestic oilseed production.

Regarding exports, an unprecedented drop in shipments is expected in the United States and the EU as domestic production shortfalls and low carry-in stocks have seriously curtailed export availabilities. Current forecasts for export volumes – 7.5 million tonnes for the United States and 2.7 million tonnes for the EU – would represent 10-year and 8-year lows, respectively. These shortfalls are expected to be more than compensated by a recovery in exports from Australia and Canada as well as new record shipments in Argentina and Brazil. Growth in shipments of tropical oils from Southeast Asia in 2003/04 is anticipated to be rather moderate, compared to the well-marked and steady expansion that has been observed since the mid-1990s.

Palm and soybean oil trade will continue to dominate the market in 2003/04. Also noteworthy is the likely surge in sunflower-seed oil trade, mainly out of the CIS, as sunflower-seed oil is expected to become more competitively priced vis-à-vis competing oils. For rapeseed oil, global trade is forecast to grow, although shipment volume is estimated to remain below that achieved in recent years.

In line with the trend of recent years, global trade in **meals/cakes** is currently forecast to expand by over 5 percent. Developing countries are expected to further strengthen their position in the world market with respect to exports, and should account for almost 70 percent of total exports in 2003/04. Virtually all exports will originate in South America, where, following the lead of Brazil and Argentina, shipments are anticipated to rise by a further 9 percent, setting a new record of 72 million tonnes in protein equivalent (including the meal equivalent contained in seeds traded). Thus South America's share in global trade could increase further to reach 60 percent, compared to only 45 percent in 1999/2000. Larger shipments are also expected from China and India, where exports were curtailed last season because of lower domestic supplies. Among developed countries, a sizeable recovery in shipments is expected in Canada, though exports will remain below the record level achieved in 2000/01. By contrast, in the United States, which last season lost its position as the world's leading exporter, shipments are anticipated to drop by another 8 percent, reaching a five-year low. In the EU, gains achieved in export shipments during the last two seasons are likely to be lost again because of this season's production shortfalls.

With regard to imports, Southeast Asia will remain one of the main destinations for meal shipments. However, in 2003/04 the share of developed countries in total

International Prices of Oilseed-Based Products

	FAO indices of international market prices		Average international market prices			
	Edible/soap fats and oils	Oilcakes and meals	Soybean ^{a/}	Soybean oil ^{b/}	Palm oil ^{c/}	Soybean meal ^{d/}
October/September	(. . . 1990-92=100 . . .)		(. US\$/tonne)			
1995/96	140	128	303	574	544	257
1996/97	134	133	298	536	545	278
1997/98	154	116	256	634	641	197
1998/99	125	82	209	483	514	149
1999/00	91	89	209	355	337	180
2000/01 - Oct.- March	76	98	206	314	254	198
- April-Sept.	86	94	197	356	289	178
2001/02 - Oct.- March	95	100	188	378	323	175
- April-Sept.	107	104	213	445	392	174
2002/03 - Oct.- March	124	106	241	543	442	186
- April-Sept.	123	110	246	535	414	197
2003/04 - October	143	140	311	623	484	253

Source: FAO, Oil World

^{a/} Soybean, US, cif Rotterdam. ^{b/} Soybean oil, Dutch, fob ex-mill. ^{c/} Palm oil, crude, cif N.W. Europe. ^{d/} Soy pellets, 44/45%, Argentina, cif Rotterdam.

expansion of shipments is expected to be higher than in previous years. This is because purchases by the EU are forecast to expand strongly, possibly exceeding 19 million tonnes (as usual expressed in protein equivalent and including the meals content of seeds traded) – an expansion caused largely by this year’s shortfall in domestic feed grains and forage output. Among developing countries, import expansion is anticipated to slow down in some Southeast Asian countries, in particular China, where imports experienced a boost last season. By contrast, steady growth in import demand is expected by importers in Africa, Mexico and the Near East.

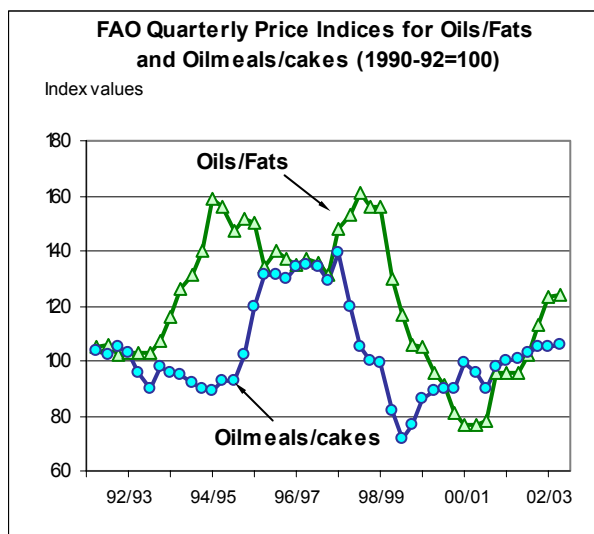
Improving international prices for oilseeds and oils/fats; falling prices for meals/cakes

Current forecasts for the first half of the 2003/04 season seem to suggest that world prices in the oil complex may continue to show an upward trend. The decline in US soybean production, together with envisaged growth in the demand for end products, is likely to lead to a further reduction in global stocks, which should lend upward support to oilseed prices. Provided the anticipated increase of production in South America materializes, some temporary downward adjustment in prices could occur after February 2004.

Between the two end products, oils are expected to be the price leaders in most oilseed complexes. Five-year low carry-in stocks of oils/fats and the prospect of a repetition of last year’s unusually low global stock-to-utilization ratio should tend to raise prices during most of 2003/04. In particular, palm oil prices (and this commodity may also face below-average growth in production) could strengthen. As a result of the reduced availability of palm oil, the world vegetable oil market can be expected to react very sensitively to any

unexpected developments such as a deterioration of production prospects in South America. Another factor to watch closely is the extent to which higher crushings of high-oil-yielding oilseeds will actually compensate tighter palm oil supplies.

International prices for meals/cakes could move in the opposite direction. Due to the prospective tightness of vegetable oil supplies, crushings of oilseeds – including the high-meal-yielding soybeans – are expected to increase significantly during the current season, possibly leading to an excess of meal supplies relative to demand. The resulting increase in global meal stocks, combined with a higher stocks-to-utilization ratio could bring prices for oil meals under downward pressure. Furthermore, after two consecutive years of decline, the sizeable rise anticipated in the global output of meals other than soy meal could increase competition between different meals, thus contributing to downward price pressure.



Sugar

Record output and surplus stocks will continue to pressure world sugar prices into new marketing year

Surplus stocks of sugar continued to expand throughout the 2002/03 marketing year, exacerbated by record output in several key producing nations, notably Brazil. World raw sugar prices (expressed by the International Sugar Agreement prices) fell in response to market uncertainties regarding much larger-than-anticipated end-of-year stock levels to under 6 US cents per pound for the first time since August 2002. Current estimates of final 2002/03 production levels continue to support FAO's upward revisions in production.

FAO's latest estimate of global sugar output in 2002/03 is 147.1 million tonnes, up 2.1 million tonnes from the May forecast, largely as a result of record production in Brazil, China, India and Thailand (among the largest and most influential sugar producing nations worldwide). Although record sugar output in Brazil was largely anticipated by the market, record production in the other three producing nations may have resulted in more pronounced downward pressure on both near-term and new-crop sugar prices. The upward revision indicates that production levels currently stand 4.2 million tonnes higher than the November 2002 forecast and 10.2 million tonnes above the estimate for the 2001/02 marketing year, which is more significant in terms of market fundamentals for the new crop.

Record output in Brazil results in higher-than-anticipated stocks levels

Although earlier forecasts had indicated that production in Brazil would potentially reach record levels, finalized estimates have surpassed even initial expectations of output. Higher- than-anticipated yields, favourable weather conditions and high processing capacity utilization rates have resulted in increased stocks levels, particularly in the center-south production area. Reports of declines in wholesale ethanol prices in the middle of the summer point to uncertainty in the market as to how much sugar will be directed toward export channels, the domestic sugar market or ethanol production. Some reports say that more output will be directed toward potentially higher returns from the domestic sugar market in Brazil as the result of low world prices and recent appreciation of the real over the US dollar. Alternatively, there are some indications that export volumes for the new marketing year 2003/04 could surpass last year's levels by as much as 1 million tonnes. FAO's November estimates for this

past marketing year also confirm earlier reports of record production in China and Thailand and much better-than-anticipated output in India. These late season increases were more than offset by declines in the Caribbean, particularly in Guatemala.

World Production and Consumption of Sugar

	Production		Consumption	
	2001/02	2002/03	2002	2003
	(. . million tonnes, raw value . .)			
WORLD	135.6	147.1	135.7	139.1
Developing countries	96.0	104.3	88.9	91.7
Latin America & Caribbean	41.5	43.0	24.3	24.8
Africa	4.9	4.9	7.2	7.4
Near East	4.6	5.8	10.2	10.6
Far East	44.5	50.2	47.2	48.9
Oceania	0.4	0.4	0.1	0.1
Developed countries	39.6	42.8	46.7	47.4
Europe	20.2	22.6	19.9	20.3
of which: EU	(16.2)	(18.3)	(14.7)	(14.9)
North America	7.4	7.8	10.6	10.0
CIS	4.0	3.7	10.6	11.2
Oceania	4.8	5.3	1.3	1.5
Others	3.3	3.4	4.4	4.4

Source: FAO

Further price erosion likely from stock build-up

Downward price pressure on the world raw sugar price will most likely continue well into the 2003/04 year. Continued reports of increased production in these countries have pressured the International Sugar Agreement (ISA) daily prices downward to an average 6.05 US cents per pound (through 15 October 2003). Monthly ISA prices averaged 5.98 US cents per pound in September, declining to their lowest point since August 1999, when prices reached 14-year lows. ISA prices averaged 6.79 US cents per pound from July through October 2002; prices are moving downward in 2003 during the same period (July through October), averaging 6.43 US cents per pound. ISA monthly prices averaged 8.64 US cents per pound in 2001 and 6.89 US cents per pound in 2002. The considerable global surplus at the end of this year may result in a further price erosion that could attain the low prices levels of 1999 when the ISA average annual price declined to 6.27 US cents per pound.

Economic-growth-spurred consumption may not immediately alleviate global stock situation

FAO forecasts that world sugar consumption will reach 139.1 million tonnes in 2003, an annual growth rate of 2.5 percent driven by stronger-than-anticipated economic growth, notably in the Near and Far East. Consumption growth is expected to remain strong in the Far East, reaching a forecast growth rate of 3.6 percent in 2003, given annual GDP growth exceeding 5 percent and population growth rate of around 1.5 percent for the region. Growth in consumption in the Near East may also exceed 3.5 percent, while a slight decline in growth rate is forecast for Latin America and the Caribbean. Overall growth in the developing countries is forecast at 3.3 percent in 2003. Among the developed countries, the growth rate is estimated at 1.5 percent, slightly higher than in recent years, mainly as a result of stronger consumption growth in the CIS, particularly the Russian Federation where the food-processing industry continues to expand significantly. However, given depressed internal prices in that country, this growth may not necessarily translate into short-term market support for increased imports, particularly with increased domestic sugar output. Further declines in consumption growth were estimated for the United States, as the impact of low-carbohydrate diet trends in food manufacturing and the

continued move of sugar-containing product manufacturers to Canada or Mexico continues to further depress growth in consumption.

Reports of potential purchases by countries in the Middle East may lend some short-term support to sugar prices. However, low world prices have failed to induce purchases by China or the Russian Federation, even though both nations have substantially greater domestic output than was originally anticipated earlier this year. Furthermore, any market support derived from short-term purchases will be limited, at best. Reports indicate that China will not fulfill the announced 1.76 million tonne tariff rate import quota, as the price differential between domestic and international sugar prices remains too low to attract import volumes, and this will most likely remain the case for the new marketing year as well. Furthermore, the sugar industry in the Russian Federation continues to lobby for a smaller tariff rate import quota in response to increased domestic output. Thus, despite both short-term possibilities for purchases and EU sugar quota cuts on production that could slightly restrain the refined sugar market for that region, the estimated year-end supply/demand balance for 2002/03 indicates that the world market may be facing the same serious disequilibrium experienced in 1999, when world prices fluctuated between 5 to 6 US cents per lb.

Fertilizers

Urea prices generally remained stable in October, as compared to September, but the monthly averages were between 45 and 66 percent higher than prices one year ago. Indonesia's exports are dwindling because of delays in issuing exports licenses. Availability in China is tightening, and thus prices are increasing. Hence Viet Nam and the Philippines are seeking to purchase urea in the Arab Gulf countries. Higher freight prices are inhibiting end-user sales for the EU and the Russian Federation. However, the strong euro is assisting European buyers, resulting in strong demand from Spain and Italy. Latin America is expected to enter this market. The Venezuelan product has become very competitive for sale to the US because the price is attractive. Egypt is directing all its nitrogen production to the domestic market. FAO has issued a tender for 350 000 tonnes with delivery to Iraq, in addition to a previous tender for 100 000 tonnes. The Arab Gulf is supplying the Philippines, Sri Lanka and Viet Nam. In India production is forecast to be about 9.2 million tonnes; taken together with inventory, this supply would meet demand during the Rabi season. In South Korea one of the urea production plants has re-opened in preparation for domestic demand at the end of the year. The Republic of Korea will also supply Korea, DPR from its stocks as part of a fertilizer aid package.

Prices for **ammonia** from most origins increased slightly over the past two months, and were about 65 percent higher than in the corresponding period last year. Supplies remain rather scarce. Exports to South Africa and Jordan are expected to sustain current prices and further tighten the market. However, buyers are trying to keep price increases under control by utilizing their inventories. Demand from India is being covered by the Arab Gulf.

Prices for **ammonium sulphate** in the Black Sea region and western EU remained practically unchanged during the past two months; however, they are 75 and 40 percent higher respectively than prices one year ago. Malaysia is tendering for its requirements for early 2004.

Diammonium phosphate (DAP) prices fell in the US Gulf over the past two months. However, the prices showed an increase of 12 percent compared to last year for all three regions. It is forecast that prices in the US Gulf will fall further if no US producer cuts output. There have also been large increases in raw material costs. The US is trying to export as much as possible to Ethiopia, India and Pakistan before prices decrease even more. As one of the plants in India is inactive, the

government announced a subsidy increase for both imported and domestically produced DAP. North Africa is supplying the EU, New Zealand and Thailand, and possibly also China. FAO has awarded the substantial tender of 140 000 tonnes of DAP for Iraq to Jordan. In Australia fertilizer production has returned to design capacity following a shutdown. China has issued tariff import quotas for 2004 of 6.25 million tonnes, with state-owned importers being assigned 75 percent. In order to reduce fertilizer exports before the spring season, China is reducing VAT from 13 percent to 8 percent.

Triple superphosphate (TSP) prices continued to remain stable for North Africa and rose slightly in the US Gulf; they are about 20 percent higher than last

year's levels. The Islamic Republic of Iran has just lost a tender for TSP.

Average spot prices of **muriate of potash (MOP)** have not changed over the past two months. Compared to October 2002, however, prices are down slightly. The freight market is reportedly dominating the discussions for potash supply and is thus hampering new business. Suppliers are looking for another price increase of US\$10 per tonne, and even this may not cover the latest rises in freight rates. However, higher production costs, especially energy, have caused price increases. India has tendered for 280 000 tonnes and Malaysia is tendering for its requirements next year. The Russian Federation is supplying Indonesia, the Philippines, Taiwan and Viet Nam. It has been reported that China intends to increase the domestic price of MOP.

Average Fertilizer Spot Prices (bulk, f.o.b.)

	September 2003	October 2003	October 2002	Change from last year ^{1/}
	(..... US\$/tonne)			(. percentage .)
Urea				
eastern Europe	148-151	151-152	90-92	66.5
Near East	158-163	164-167	112-115	45.8
Ammonium Sulphate				
eastern Europe	59-61	64-66	35-39	75.7
western Europe	50-55	50-55	35-39	41.9
Diammonium Phosphate				
Jordan	197-202	202-210	181-185	12.6
North Africa	185-192	182-193	166-169	11.9
U.S. Gulf	178-179	170-173	152-156	11.4
Triple Superphosphate				
North Africa	152-155	155-156	129-132	19.2
U.S. Gulf	156-159	160-163	131-134	21.9
Muriate of Potash				
eastern Europe	89-104	89-104	91-106	-2.0
Vancouver	109-123	108-123	111-123	-1.3
western Europe	100-110	100-110	105-115	-4.5

Source: Compiled from Fertilizer Week and Fertilizer Market Bulletin. ^{1/} From mid-point of given ranges.

APPENDIX TABLES

A.1 a) - WORLD CEREAL PRODUCTION

	Wheat			Coarse Grains		
	2001	2002 estim.	2003 f'cast	2001	2002 estim.	2003 f'cast
	(..... million tonnes)					
ASIA	245.8	252.2	248.3	210.1	212.9	211.0
Bangladesh	1.6	1.6	1.7	0.1	0.1	0.1
China ^{1/}	93.9	90.3	86.0	125.2	133.9	125.8
India	69.7	71.8	69.3	34.0	25.7	32.0
Indonesia	-	-	-	9.3	9.7	10.4
Iran, Islamic Rep. of	9.5	12.5	12.9	3.5	4.7	4.8
Japan	0.7	0.8	0.7	0.2	0.2	0.2
Kazakhstan	12.7	12.6	11.7	3.0	3.1	2.9
Korea, D. P. R.	0.1	0.1	0.1	1.6	1.8	1.5
Korea, Rep. of	-	-	-	0.5	0.4	0.4
Myanmar	0.1	0.1	0.1	0.7	0.8	0.9
Pakistan	19.0	18.2	19.3	2.2	2.2	2.1
Philippines	-	-	-	4.5	4.3	4.5
Saudi Arabia	1.8	1.8	1.8	0.3	0.3	0.3
Thailand	-	-	-	4.7	4.5	4.5
Turkey	18.5	20.0	21.0	10.2	10.8	10.6
Viet Nam	-	-	-	2.1	2.3	2.0
AFRICA	18.2	16.7	21.0	82.6	82.6	87.0
North Africa	12.9	12.1	17.1	10.0	9.9	12.7
Egypt	6.3	6.6	6.8	7.8	7.4	7.6
Morocco	3.3	3.4	5.1	1.3	1.9	2.8
Sub-Saharan Africa	5.3	4.7	3.8	72.6	72.7	74.3
Western Africa	0.1	0.1	0.1	32.7	34.3	34.5
Nigeria	0.1	0.1	0.1	19.0	19.8	19.9
Central Africa	-	-	-	2.6	2.6	2.6
Eastern Africa	2.2	2.0	2.0	22.5	20.0	20.5
Ethiopia	1.6	1.3	1.4	8.0	7.4	7.8
Sudan	0.2	0.4	0.2	5.1	3.5	4.2
Southern Africa	2.9	2.6	1.8	14.7	15.8	16.7
Madagascar	-	-	-	0.2	0.2	0.2
South Africa	2.5	2.3	1.6	7.9	10.5	9.9
Zimbabwe	0.3	0.2	0.1	1.6	0.6	0.9
CENTRAL AMERICA	3.3	3.3	3.0	31.1	28.5	29.1
Mexico	3.3	3.3	3.0	27.6	24.7	25.4
SOUTH AMERICA	21.2	18.0	21.5	70.8	64.3	78.0
Argentina	15.3	12.3	13.5	19.6	18.7	19.1
Brazil	3.3	2.9	5.2	43.0	37.0	49.6
Colombia	-	-	-	1.4	1.4	1.4
NORTH AMERICA	73.8	60.3	85.6	285.1	265.2	304.2
Canada	20.6	16.2	22.0	22.7	20.1	26.2
United States	53.3	44.1	63.6	262.4	245.2	278.1
EUROPE	201.3	209.9	158.2	224.0	220.5	197.4
Bulgaria	4.1	3.6	2.2	2.0	2.5	1.9
EU	91.8	104.4	92.4	107.9	107.9	94.9
Hungary	5.2	3.9	2.9	9.6	8.1	6.6
Poland	9.3	9.3	7.9	17.7	17.3	15.3
Romania	7.8	4.4	2.5	10.3	9.8	9.4
Russian Fed.	47.0	50.6	36.6	35.7	33.7	31.0
Ukraine	21.3	19.8	4.4	17.1	16.2	15.2
OCEANIA	25.2	9.7	24.4	13.3	7.6	11.5
Australia	24.9	9.4	24.1	12.8	7.0	10.9
WORLD	588.7	570.2	561.9	917.0	881.6	918.2
Developing countries	263.1	263.1	269.0	381.6	372.6	390.3
Developed countries	325.6	307.1	292.8	535.4	509.1	527.9

Source: FAO

Note: Totals computed from unrounded data.

^{1/} Including Taiwan Province.

Table A.1 b) - WORLD CEREAL PRODUCTION

	Rice (paddy)			Total Cereals 1/		
	2001	2002 estim.	2003 f'cast	2001	2002 estim.	2003 f'cast
	(..... million tonnes)					
ASIA	544.4	521.9	538.4	1 000.2	987.0	997.7
Bangladesh	36.4	38.2	39.6	38.1	39.8	41.3
China 2/	179.3	176.3	167.5	398.4	400.6	379.2
India	139.6	113.6	133.5	243.3	211.1	234.8
Indonesia	50.5	51.5	51.8	59.8	61.1	62.2
Iran, Islamic Rep. of	2.0	3.1	3.3	14.9	20.2	21.0
Japan	11.3	11.1	9.8	12.3	12.2	10.7
Kazakhstan	0.2	0.2	0.2	15.9	16.0	14.8
Korea, D. P. R.	2.1	2.2	2.3	3.8	4.1	3.9
Korea, Rep. of	7.5	6.7	6.1	7.9	7.0	6.5
Myanmar	21.9	22.8	24.6	22.7	23.7	25.7
Pakistan	5.8	6.3	6.4	27.0	26.8	27.8
Philippines	13.1	13.0	13.5	17.6	17.3	18.0
Saudi Arabia	-	-	-	2.1	2.1	2.1
Thailand	26.5	25.9	27.0	31.2	30.4	31.5
Turkey	0.4	0.4	0.4	29.1	31.2	32.0
Viet Nam	32.0	34.1	34.7	34.1	36.4	36.7
AFRICA	17.3	17.9	18.2	118.0	117.2	126.1
North Africa	5.3	6.0	6.0	28.2	28.0	35.9
Egypt	5.2	6.0	6.0	19.3	20.0	20.4
Morocco	-	-	-	4.6	5.3	8.0
Sub-Saharan Africa	12.0	11.9	12.1	89.9	89.2	90.3
Western Africa	7.6	7.4	7.6	40.4	41.8	42.2
Nigeria	3.3	3.4	3.5	22.3	23.2	23.5
Central Africa	0.4	0.4	0.4	3.0	3.0	3.0
Eastern Africa	1.1	1.1	1.0	25.8	23.1	23.5
Ethiopia	-	-	-	9.6	8.7	9.2
Sudan	-	-	-	5.4	3.9	4.4
Southern Africa	3.0	3.0	3.2	20.6	21.3	21.7
Madagascar	2.7	2.7	2.8	2.9	2.9	3.0
South Africa	-	-	-	10.4	12.8	11.5
Zimbabwe	-	-	-	1.9	0.7	1.0
CENTRAL AMERICA	2.2	2.3	2.4	36.6	34.1	34.5
Mexico	0.2	0.2	0.3	31.1	28.3	28.6
SOUTH AMERICA	19.9	19.8	19.6	111.9	102.2	119.1
Argentina	0.9	0.7	0.7	35.7	31.8	33.3
Brazil	10.4	10.6	10.4	56.7	50.5	65.3
Colombia	2.3	2.3	2.5	3.7	3.8	4.0
NORTH AMERICA	9.8	9.6	8.9	368.7	335.0	398.8
Canada	-	-	-	43.3	36.3	48.2
United States	9.8	9.6	8.9	325.4	298.8	350.6
EUROPE	3.2	3.2	3.0	428.5	433.7	358.6
Bulgaria	-	-	-	6.0	6.1	4.2
EU	2.6	2.6	2.4	202.3	214.9	189.7
Hungary	-	-	-	14.8	12.0	9.5
Poland	-	-	-	27.0	26.6	23.2
Romania	-	-	-	18.1	14.2	11.9
Russian Fed.	0.5	0.5	0.5	83.2	84.8	68.1
Ukraine	0.1	0.1	0.1	38.5	36.0	19.6
OCEANIA	1.8	1.3	0.4	40.3	18.7	36.3
Australia	1.8	1.3	0.4	39.4	17.7	35.4
WORLD	598.6	576.0	591.0	2 104.3	2 027.8	2 071.0
Developing countries	572.1	550.3	568.1	1 216.8	1 186.0	1 227.4
Developed countries	26.4	25.7	22.9	887.5	841.8	843.6

Source: FAO

Note: Totals computed from unrounded data.

1/ Rice is included in the cereal total in paddy terms. 2/ Including Taiwan Province

Table A.2 a) - WORLD IMPORTS OF CEREALS

	Wheat (July/June) ^{1/}			Coarse Grains (July/June)		
	2001/02	2002/03 estim.	2003/04 fcast	2001/02	2002/03 estim.	2003/04 fcast
	(..... million tonnes)					
ASIA	47.3	41.2	39.0	57.5	57.7	57.6
Bangladesh	1.7	1.7	1.7	0.1	0.2	0.1
China	2.1	1.4	1.6	8.0	7.3	7.4
Taiwan Province	1.0	1.1	1.1	5.3	5.0	5.0
Georgia	0.5	0.5	0.6	-	-	-
India	0.1	0.1	0.1	0.2	0.3	0.2
Indonesia	4.0	4.1	4.2	1.1	1.7	1.4
Iran, Islamic Rep. of	5.9	2.3	1.2	1.7	1.4	1.7
Iraq	3.0	1.7	2.0	0.1	0.1	0.1
Israel	1.5	1.6	1.5	1.5	1.3	1.3
Japan	5.7	5.4	5.6	19.9	20.4	20.0
Korea, D. P. R.	0.3	0.4	0.4	0.5	0.3	0.4
Korea, Rep. of	4.0	3.7	3.0	8.6	8.9	9.0
Malaysia	1.3	1.4	1.4	2.4	2.4	2.5
Pakistan	0.3	0.3	0.5	0.1	0.1	0.2
Philippines	3.1	3.4	3.2	0.4	0.4	0.4
Saudi Arabia	0.1	0.1	0.1	7.0	6.7	7.2
Singapore	0.3	0.3	0.3	0.2	0.2	0.2
Sri Lanka	0.8	0.8	0.9	0.2	0.1	0.1
Syria	0.3	0.6	0.2	1.0	1.2	0.6
Thailand	1.1	0.9	1.0	-	0.1	-
Yemen	2.0	2.0	2.0	0.3	0.2	0.3
AFRICA	25.3	26.4	23.2	15.1	16.8	15.0
North Africa	16.1	16.8	13.4	11.4	10.7	10.0
Algeria	4.0	4.4	3.6	2.0	1.8	1.5
Egypt	6.6	6.4	6.4	5.5	5.3	5.6
Morocco	2.9	2.7	1.1	1.7	1.5	1.2
Tunisia	1.3	1.8	0.8	1.5	1.4	1.0
Sub-Saharan Africa	9.2	9.6	9.8	3.7	6.0	5.0
Côte d'Ivoire	0.3	0.3	0.3	-	-	-
Ethiopia	0.3	1.4	0.9	-	0.1	-
Kenya	0.6	0.4	0.6	0.5	0.5	0.8
Nigeria	2.5	2.5	2.5	0.1	0.1	0.1
Senegal	0.3	0.3	0.3	0.1	0.1	-
Sudan	1.1	0.9	1.0	0.1	0.1	0.1
South Africa	0.5	0.5	0.8	0.7	1.0	0.6
CENTRAL AMERICA	6.9	7.0	7.3	14.4	12.3	13.0
Cuba	1.0	1.0	1.0	0.2	0.3	0.3
Dominican Rep.	0.3	0.3	0.3	0.7	0.7	0.7
Mexico	3.3	3.3	3.5	11.2	8.9	9.5
SOUTH AMERICA	12.2	11.5	11.0	5.8	5.8	5.5
Brazil	7.2	6.7	6.0	0.4	0.5	0.2
Chile	0.3	0.3	0.3	1.2	1.1	1.1
Colombia	1.2	1.2	1.2	2.3	2.3	2.4
Peru	1.3	1.3	1.3	0.8	0.7	0.7
Venezuela	1.3	1.1	1.2	0.7	0.7	0.5
NORTH AMERICA	3.1	2.2	2.0	6.3	6.5	4.0
Canada	0.1	0.2	-	3.9	4.5	1.6
United States	3.0	2.0	2.0	2.5	1.9	2.4
EUROPE	13.4	16.2	13.6	7.8	6.8	9.2
Belarus	0.5	0.4	0.4	0.3	0.2	0.2
EU ^{2/}	10.0	12.0	4.0	4.2	4.0	5.0
Poland	0.3	0.3	0.8	0.3	0.3	0.5
Romania	0.1	0.3	1.0	-	-	0.6
Russian Fed.	0.5	0.5	0.7	0.8	0.3	0.6
Ukraine	0.1	0.5	3.1	0.1	0.1	0.2
OCEANIA	0.6	0.4	0.5	0.1	0.1	0.2
New Zealand	0.3	0.1	0.2	0.1	0.1	0.1
WORLD	108.8	104.9	96.5	107.0	106.0	104.5
Developing countries	81.5	76.6	70.6	70.5	69.8	69.2
Developed countries	27.3	28.3	25.9	36.5	36.2	35.3

Source: FAO**Note:** Totals computed from unrounded data.^{1/} Including wheat flour in wheat grain equivalent, but excluding semolina.^{2/} Excluding trade between the EU member countries.

Table A.2 b) - WORLD IMPORTS OF CEREALS

	Rice (milled)			Total Cereals ^{1/}		
	2002	2003 estim.	2004 f'cast	2001/02	2002/03 estim.	2003/04 f'cast
	(..... million tonnes)					
ASIA	14.1	13.5	12.4	118.9	112.4	109.0
Bangladesh	0.5	1.2	0.6	2.4	3.1	2.4
China	0.4	0.5	0.6	10.5	9.2	9.6
Taiwan Province	0.1	0.2	0.2	6.5	6.3	6.3
Georgia	-	-	-	0.5	0.5	0.6
India	-	-	0.1	0.2	0.4	0.3
Indonesia	3.5	3.3	2.5	8.6	9.1	8.1
Iran, Islamic Rep. of	1.0	0.5	0.5	8.6	4.2	3.4
Iraq	1.1	0.7	1.0	4.3	2.5	3.1
Israel	0.1	0.1	0.1	3.1	3.0	2.9
Japan	0.7	0.7	0.7	26.2	26.5	26.2
Korea, D. P. R.	0.7	0.7	0.8	1.6	1.4	1.5
Korea, Rep. of	0.2	0.2	0.2	12.8	12.8	12.2
Malaysia	0.6	0.5	0.5	4.3	4.3	4.4
Pakistan	-	-	-	0.4	0.4	0.7
Philippines	1.3	1.1	0.9	4.8	4.9	4.5
Saudi Arabia	0.8	0.8	0.9	7.9	7.6	8.1
Singapore	0.5	0.5	0.5	1.0	0.9	1.0
Sri Lanka	0.1	0.1	-	1.1	1.0	1.1
Syria	0.2	0.2	0.2	1.5	1.9	1.0
Thailand	-	-	-	1.1	1.0	1.0
Yemen	0.3	0.3	0.3	2.5	2.4	2.5
AFRICA	8.5	8.0	8.0	48.9	51.2	46.2
North Africa	0.2	0.3	0.3	27.7	27.8	23.7
Algeria	0.1	0.1	0.1	6.1	6.3	5.2
Egypt	-	-	-	12.1	11.7	12.0
Morocco	-	-	-	4.6	4.2	2.3
Tunisia	-	-	-	2.7	3.2	1.8
Sub-Saharan Africa	8.3	7.8	7.7	21.2	23.4	22.5
Côte d'Ivoire	1.0	1.1	1.1	1.3	1.4	1.4
Ethiopia	-	-	-	0.4	1.5	1.0
Kenya	0.2	0.2	0.2	1.3	1.1	1.6
Nigeria	1.8	1.5	1.4	4.4	4.1	4.0
Senegal	0.7	0.7	0.7	1.0	1.0	0.9
Sudan	-	-	-	1.2	1.0	1.1
South Africa	0.6	0.6	0.7	1.8	2.1	2.0
CENTRAL AMERICA	1.9	2.0	2.0	23.2	21.4	22.3
Cuba	0.6	0.6	0.6	1.7	1.8	1.9
Dominican Rep.	-	-	-	1.0	1.0	1.0
Mexico	0.5	0.6	0.6	15.0	12.8	13.6
SOUTH AMERICA	0.8	1.5	1.0	18.9	18.9	17.5
Brazil	0.6	1.2	0.7	8.2	8.4	6.9
Chile	0.1	0.1	0.1	1.5	1.5	1.4
Colombia	0.1	0.1	0.1	3.6	3.6	3.7
Peru	-	-	-	2.1	2.0	2.0
Venezuela	-	0.1	0.1	2.0	1.8	1.8
NORTH AMERICA	0.7	0.7	0.7	10.1	9.3	6.7
Canada	0.3	0.3	0.3	4.2	5.0	1.9
United States	0.4	0.4	0.4	5.8	4.3	4.8
EUROPE	1.8	1.8	1.8	23.0	24.8	24.6
Belarus	-	-	-	0.8	0.6	0.6
EU ^{2/}	0.7	0.7	0.7	14.9	16.7	9.7
Poland	0.1	0.1	0.1	0.7	0.7	1.4
Romania	0.1	0.1	0.1	0.3	0.4	1.7
Russian Fed.	0.5	0.4	0.4	1.7	1.2	1.7
Ukraine	0.1	0.1	0.1	0.3	0.7	3.4
OCEANIA	0.3	0.4	0.3	1.0	0.9	1.0
New Zealand	-	-	-	0.5	0.2	0.3
WORLD	28.1	27.9	26.3 ^{3/}	243.9	238.9	227.3
Developing countries	24.0	23.8	22.1	176.0	170.2	162.0
Developed countries	4.1	4.1	4.1	67.9	68.6	65.3

Source: FAO**Note:** Totals computed from unrounded data.^{1/} Trade in rice refers to the calendar year of the second year shown.^{2/} Excluding trade between the EU member countries.^{3/} Highly tentative.

Table A.3 a) - **WORLD EXPORTS OF CEREALS**

	Wheat (July/June) 1/			Coarse Grains (July/June)		
	2001/02	2002/03 estim.	2003/04 f'cast	2001/02	2002/03 estim.	2003/04 f'cast
	(..... million tonnes)					
ASIA	11.8	16.1	13.1	8.3	17.3	12.0
China 2/	1.2	1.0	0.8	6.4	14.9	10.0
India	3.5	5.0	3.5	-	-	-
Indonesia	-	-	-	0.1	0.1	0.1
Japan	0.4	0.4	0.4	-	-	-
Kazakhstan	3.8	5.7	5.5	0.4	0.5	0.4
Myanmar	-	-	-	0.1	0.1	0.1
Pakistan	0.7	1.0	-	-	-	-
Syria	0.5	0.6	0.6	-	-	0.1
Thailand	-	-	-	0.3	-	-
Turkey	0.4	1.0	1.0	0.5	0.7	0.5
Viet Nam	-	-	-	-	-	-
AFRICA	0.6	0.5	0.5	2.3	1.9	1.9
Egypt	-	-	-	-	-	-
Ethiopia	-	-	-	0.1	-	-
Nigeria	-	-	-	0.1	0.1	0.1
South Africa	0.1	0.2	-	1.4	1.1	1.3
Sudan	-	-	-	0.1	0.1	0.1
Uganda	-	-	-	0.3	0.1	0.1
CENTRAL AMERICA	0.6	0.7	0.7	0.2	0.2	0.2
SOUTH AMERICA	11.0	5.7	9.1	15.0	15.6	16.4
Argentina	11.0	5.6	9.0	9.6	12.2	10.5
Brazil	-	-	-	5.0	3.0	5.5
Paraguay	0.1	0.1	-	0.2	0.3	0.2
Uruguay	-	-	0.1	0.1	0.1	0.1
NORTH AMERICA	42.8	32.0	43.0	58.8	49.2	56.2
Canada	16.6	9.0	14.0	2.6	1.6	5.2
United States	26.2	23.0	29.0	56.2	47.5	51.0
EUROPE	25.6	40.6	14.7	15.7	17.9	13.0
Bulgaria	0.8	1.1	0.3	0.3	0.5	0.2
Czech Rep.	0.8	0.5	-	0.3	0.3	0.4
EU 3/	10.5	15.0	11.0	5.0	6.6	6.0
Hungary	1.9	0.9	0.3	2.9	1.4	0.8
Romania	0.5	0.4	-	0.5	0.6	0.2
Russian Fed.	4.5	14.5	2.9	2.6	3.8	2.3
Ukraine	5.5	6.6	-	3.5	4.0	2.7
OCEANIA	16.4	10.4	15.5	5.2	1.4	4.8
Australia	16.4	10.4	15.5	5.2	1.3	4.8
WORLD	108.7	105.9	96.5	105.4	103.5	104.5
Developing countries	19.6	16.6	17.4	23.9	33.4	28.8
Developed countries	89.1	89.3	79.1	81.6	70.1	75.7

Source: FAO

Note: Totals computed from unrounded data.

1/ Including wheat flour in wheat grain equivalent, but excluding semolina.

2/ Including Taiwan Province.

3/ Excluding trade between the EU member countries.

Table A.3 b) - **WORLD EXPORTS OF CEREALS**

	Rice (milled)			Total Cereals ^{1/}		
	2002	2003 estim.	2004 f'cast	2001/02	2002/03 estim.	2003/04 f'cast
	(..... million tonnes)					
ASIA	22.4	21.9	20.8	42.6	55.3	45.9
China ^{2/}	2.1	2.7	2.3	9.7	18.6	13.1
India	6.6	3.8	3.5	10.1	8.8	7.0
Indonesia	-	-	-	0.1	0.1	0.1
Japan	0.2	0.6	0.3	0.7	1.0	0.7
Kazakhstan	-	-	-	4.2	6.2	5.9
Myanmar	0.9	0.9	1.2	1.0	1.0	1.3
Pakistan	1.6	1.8	1.8	2.3	2.8	1.8
Syria	-	-	-	0.5	0.6	0.7
Thailand	7.3	7.5	7.5	7.6	7.6	7.5
Turkey	-	-	-	0.9	1.7	1.5
Viet Nam	3.2	4.0	3.8	3.3	4.0	3.8
AFRICA	0.5	0.7	0.6	3.3	3.0	3.0
Egypt	0.5	0.7	0.6	0.5	0.7	0.6
Ethiopia	-	-	-	0.1	-	-
Nigeria	-	-	-	0.1	0.1	0.1
South Africa	-	-	-	1.5	1.3	1.4
Sudan	-	-	-	0.1	0.1	0.1
Uganda	-	-	-	0.3	0.1	0.1
CENTRAL AMERICA	-	-	-	0.7	0.9	0.9
SOUTH AMERICA	1.2	1.2	1.5	27.2	22.5	26.9
Argentina	0.2	0.2	0.4	20.8	18.0	19.9
Brazil	-	-	-	5.0	3.0	5.5
Paraguay	-	-	-	0.3	0.3	0.2
Uruguay	0.7	0.6	0.7	0.7	0.7	0.8
NORTH AMERICA	3.3	3.7	2.9	104.9	84.9	102.1
Canada	-	-	-	19.1	10.6	19.2
United States	3.3	3.7	2.9	85.8	74.2	82.9
EUROPE	0.3	0.2	0.2	41.6	58.8	27.9
Bulgaria	-	-	-	1.2	1.6	0.5
Czech Rep.	-	-	-	1.1	0.8	0.4
EU ^{3/}	0.3	0.2	0.2	15.8	21.8	17.2
Hungary	-	-	-	4.8	2.3	1.1
Romania	-	-	-	1.1	1.0	0.2
Russian Fed.	-	-	-	7.0	18.3	5.2
Ukraine	-	-	-	9.0	10.6	2.7
OCEANIA	0.4	0.2	0.3	22.0	11.9	20.5
Australia	0.4	0.2	0.3	22.0	11.9	20.5
WORLD	28.1	27.9	26.3 ^{4/}	242.3	237.2	227.3
Developing countries	24.0	23.2	22.6	67.4	73.1	68.7
Developed countries	4.2	4.7	3.7	174.9	164.1	158.6

Source: FAO

Note: Totals computed from unrounded data.

^{1/} Trade in rice refers to the calendar year of the second year shown.

^{2/} Including Taiwan Province.

^{3/} Excluding trade between the EU member countries.

^{4/} Highly tentative.

Table A.4 – CEREALS: Supply and Utilization in Main Exporting Countries (National Crop Years)

	Wheat ^{1/}			Coarse Grains ^{2/}			Rice (milled basis)		
	2001/02	2002/03 estim.	2003/04 f'cast	2001/02	2002/03 estim.	2003/04 f'cast	2001/02	2002/03 estim.	2003/04 f'cast
	(..... million tonnes)								
	UNITED STATES (June/May)			UNITED STATES			UNITED STATES (Aug./July)		
Opening stocks	23.8	21.1	13.4	52.7	45.1	31.0	0.9	1.2	0.8
Production	53.3	44.1	63.6	262.4	245.2	278.1	6.7	6.5	6.2
Imports	2.9	2.1	2.0	2.3	2.3	2.4	0.4	0.5	0.5
Total Supply	80.0	67.3	79.0	317.3	292.5	311.4	8.0	8.2	7.5
Domestic use	32.7	30.7	33.2	217.1	215.6	221.2	3.9	3.5	3.9
Exports	26.2	23.2	28.6	55.2	45.9	51.6	3.0	3.9	2.8
Closing stocks	21.1	13.4	17.2	45.1	31.0	38.6	1.2	0.8	0.8
	CANADA (August/July)			CANADA			THAILAND (Nov./Oct.) ^{3/}		
Opening stocks	9.7	6.7	5.7	4.4	3.6	3.2	1.8	2.5	2.5
Production	20.6	16.2	22.0	22.7	20.1	26.2	17.6	17.2	17.9
Imports	0.1	0.2	0.0	4.0	4.2	1.6	0.0	0.0	0.0
Total Supply	30.3	23.1	27.7	31.1	27.8	30.9	19.4	19.7	20.4
Domestic use	7.4	8.3	7.5	24.0	22.0	22.9	9.5	9.7	10.1
Exports	16.2	9.2	14.6	3.6	2.6	4.7	7.3	7.5	7.5
Closing stocks	6.7	5.7	5.6	3.6	3.2	3.3	2.5	2.5	2.8
	ARGENTINA (Dec./Nov.)			ARGENTINA			CHINA (Jan./Dec.) ^{3/ 4/}		
Opening stocks	0.3	1.0	2.1	1.2	1.3	0.7	106.5	92.9	78.1
Production	15.3	12.3	13.5	19.6	18.7	19.1	122.9	120.9	114.8
Imports	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.5	0.6
Total Supply	15.6	13.3	15.6	20.8	20.0	19.8	229.7	214.3	193.4
Domestic use	5.1	5.3	5.3	9.4	8.2	8.5	134.8	133.5	130.5
Exports	9.5	6.0	9.5	10.2	11.1	10.8	2.1	2.7	2.3
Closing stocks	1.0	2.1	0.8	1.3	0.7	0.6	92.9	78.1	60.6
	AUSTRALIA (Oct./Sept.)			AUSTRALIA			PAKISTAN (Nov./Oct.) ^{3/}		
Opening stocks	4.0	7.1	2.1	1.2	2.0	1.6	1.0	0.6	0.2
Production	24.3	9.4	24.1	12.6	6.8	10.9	3.9	4.2	4.3
Imports	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Total Supply	28.3	16.5	26.2	13.9	8.8	12.5	4.9	4.8	4.5
Domestic use	4.9	5.7	5.6	6.4	5.5	6.0	2.7	2.7	2.7
Exports	16.3	8.7	15.2	5.5	1.7	4.6	1.6	1.8	1.8
Closing stocks	7.1	2.1	5.3	2.0	1.6	1.9	0.6	0.2	0.1
	EU (July/June) ^{5/}			EU ^{5/}			VIET NAM (Nov./Oct.) ^{3/}		
Opening stocks	14.5	12.5	16.0	17.1	19.6	18.7	4.0	4.5	4.9
Production	91.8	104.4	92.4	107.9	107.9	94.9	21.3	22.7	23.1
Imports	10.0	12.0	4.0	4.2	4.0	5.0	0.0	0.0	0.0
Total Supply	116.3	128.9	112.4	129.2	131.6	118.6	25.3	27.2	28.0
Domestic use	93.0	97.6	94.1	104.6	106.2	102.4	17.6	18.3	18.9
Exports	10.8	15.3	11.3	5.0	6.6	6.0	3.2	4.0	3.8
Closing stocks	12.5	16.0	7.0	19.6	18.7	10.2	4.5	4.9	5.3
TOTAL ABOVE									
Opening stocks	52.3	48.5	39.1	76.6	71.4	55.1	114.1	101.7	86.6
Production	205.2	186.3	215.5	425.2	398.7	429.2	172.4	171.5	166.3
Imports	13.0	14.3	6.1	10.5	10.5	9.0	0.8	1.0	1.1
Total Supply	270.6	249.1	260.7	512.3	480.7	493.3	287.3	274.2	253.9
Domestic use	143.0	147.5	145.6	361.5	357.6	361.0	168.5	167.8	166.0
Exports	79.1	62.5	79.2	79.4	68.0	77.7	17.2	19.9	18.2
Closing stocks	48.5	39.1	36.0	71.4	55.1	54.6	101.7	86.6	69.6

Source: FAO

Note: Totals computed from unrounded data.

^{1/} Trade data include wheat flour in wheat grain equivalent. For the EU semolina is also included.^{2/} Argentina (Dec./Nov.) for rye, barley and oats, (March/February) for maize and sorghum; Australia (November/October) for rye, barley and oats, (March/February) for maize and sorghum; Canada (August/July); EU (July/June); United States (June/May) for rye, barley and oats, (September/August) for maize and sorghum.^{3/} Rice trade data refer to the calendar year of the second year shown.^{4/} Including Taiwan province.^{5/} Excluding trade between the EU member countries.

Table A.5 - WORLD CEREAL STOCKS: Estimated Total Carryovers of Cereals ^{1/}

	Crop Years ending in:						
	1998	1999	2000	2001	2002	2003 estim.	2004 f'cast
	(..... million tonnes)						
TOTAL CEREALS	668.1	688.1	687.6	635.4	588.3	476.0	382.3
Wheat	257.8	262.4	257.3	244.0	226.0	181.0	128.3
held by:							
- main exporters ^{2/}	39.3	50.4	50.2	52.3	48.5	39.1	36.0
- others	218.5	212.0	207.1	191.6	177.5	141.8	92.4
Coarse Grains	257.6	268.4	261.9	227.9	211.6	172.6	151.7
held by:							
- main exporters ^{2/}	69.3	80.0	77.4	76.6	71.4	55.1	54.6
- others	188.3	188.4	184.6	151.2	140.2	117.5	97.1
Rice (milled basis)	152.7	157.3	168.4	163.6	150.6	122.4	102.2
held by:							
- main exporters ^{2/}	115.7	117.2	119.7	114.1	101.7	86.6	69.6
excl. China ^{3/}	4.5	4.1	6.7	7.7	8.8	8.5	9.0
- others	37.0	40.1	48.7	49.5	48.9	35.9	32.6
BY REGIONS							
Developed Countries	169.2	171.1	165.0	160.6	168.4	142.4	128.3
Australia	3.8	3.0	4.5	5.3	9.3	3.8	7.3
EU	35.1	36.6	34.2	32.0	32.7	35.4	17.9
Canada	10.4	12.5	13.5	14.1	10.4	8.9	9.0
Hungary	2.8	2.6	2.0	1.3	1.4	1.6	1.0
Japan	6.7	6.0	5.8	5.5	5.2	4.6	3.7
Poland	4.0	4.2	3.7	1.5	2.3	2.0	1.4
Romania	5.0	3.5	3.6	0.9	2.6	1.5	0.7
Russian Fed.	18.0	5.8	4.9	6.5	13.4	12.5	9.0
South Africa	3.7	2.3	1.7	3.0	1.8	3.0	2.3
Ukraine	4.5	2.2	2.2	2.3	5.2	5.1	3.4
United States	58.7	77.8	75.6	77.4	67.4	45.1	56.6
Developing Countries	498.9	517.0	522.7	474.8	419.9	333.6	254.0
Asia	461.5	477.3	483.2	438.6	380.0	299.0	218.2
China ^{3/}	370.1	377.4	370.4	321.0	267.2	207.8	137.2
India	42.9	47.3	57.4	62.2	60.0	42.1	34.8
Indonesia	5.5	5.6	5.9	5.7	3.6	4.0	3.9
Iran, Islamic Rep. of	3.9	3.8	4.3	3.6	4.5	4.0	2.5
Korea, Rep. of	2.8	2.8	3.3	3.2	3.4	2.9	2.3
Pakistan	7.1	8.6	7.9	7.4	4.6	1.3	0.6
Philippines	2.0	2.6	1.9	2.0	1.8	2.2	1.9
Syria	4.0	4.2	4.0	3.5	5.0	5.8	5.2
Turkey	7.4	9.4	8.3	8.7	7.1	6.6	6.5
Africa	22.5	27.2	25.5	22.6	23.2	21.1	19.4
Algeria	2.1	2.7	2.4	1.8	1.8	1.3	1.7
Egypt	3.7	4.6	4.2	4.0	3.7	3.1	2.6
Ethiopia	2.4	1.5	1.7	1.0	1.1	1.2	1.0
Morocco	2.5	4.7	3.0	1.7	1.8	1.9	2.3
Nigeria	1.9	1.9	1.6	2.2	2.4	2.3	1.8
Tunisia	1.9	1.9	2.1	2.1	2.2	2.0	1.7
Central America	5.1	6.2	6.3	6.1	6.8	5.5	5.4
Mexico	3.9	5.0	4.8	4.7	5.6	4.4	4.3
South America	9.6	6.2	7.5	7.4	9.8	7.9	10.9
Argentina	2.1	1.7	1.4	1.6	2.3	2.8	1.5
Brazil	4.9	1.5	2.7	1.9	4.1	2.3	7.1

Source: FAO**Note:** Based on official and unofficial estimates. Totals computed from unrounded data.^{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 China (including Taiwan Province), Pakistan, Thailand, the United States and Viet Nam. See Table A.4 for country details.^{3/} Including Taiwan Province.

Table A.6 – SELECTED EXPORT PRICES OF CEREALS AND SOYBEANS

	Wheat			Maize		Sorghum	Soybeans
	U.S. No.2 Hard Red Winter Ord. Prot. 1/	U.S. Soft Red Winter No.2 1/	Argentina Trigo Pan 2/	U.S. No.2 Yellow 1/	Argentina 2/	U.S. No.2 Yellow 1/	U.S. No.2 Yellow 1/
	(..... US\$/tonne)						
July/June							
1999/2000	112	97	112	91	90	89	190
2000/2001	128	101	124	86	84	93	184
2001/2002	127	113	119	90	89	95	182
2002/2003	161	138	145	107	102	112	222
2002 - October	196	159	155	110	105	121	212
2003 - April	143	126	143	105	99	108	217
May	147	131	157	108	104	103	242
June	135	125	158	107	103	102	204
July	133	127	143	99	97	95	228
August	155	142	155	100	98	106	220
September	151	139	152	103	101	110	245
October I	146	131	149	102	100	110	265
II	144	131	145	101	99	110	287
III	148	140	144	101	98	107	282
IV	160	155	154	111	108	118	301

Sources: International Grain Council and USDA.

1/ Delivered U.S. Gulf ports. 2/ Up River f.o.b.

Table A.7 - PRICE INDICES AND SELECTED EXPORT PRICES FOR RICE

Calendar years	Export Prices				FAO Indices				
	Thai 100% B 1/	Thai broken 2/	U.S. Long grain 3/	Pakistani Basmati 4/	Total	Indica		Japonica	Aromatic
						High quality	Low quality		
January/December	(..... U.S.\$/tonne)				(..... 1998-2000=100)				
1999	253	192	333	486	101	99	101	105	98
2000	207	143	271	418	84	84	83	83	89
2001	177	135	264	332	74	74	74	76	69
2002	197	151	207	366	72	73	75	67	74
2002 - October	193	161	215	397	74	74	77	69	80
2003 - June	209	153	287	n.a.	82	80	81	81	96
July	203	149	289	n.a.	83	80	80	84	96
August	198	151	305	n.a.	85	82	82	88	97
September	201	155	333	n.a.	87	84	82	91	102
October I	198	159	342	n.a.	88	84	82	94	99
II	200	159	342	n.a.					
III	200	159	342	n.a.					
IV	199	157	331	n.a.					

Sources: FAO for indices. Rice prices: Jackson Son & Co. (London) Ltd. and other public sources.

Note: The FAO Rice Price Index is based on 16 rice export quotations. 'Quality' is defined by the percentage of broken kernels, with high (low) quality referring to rice with less (equal to or more) than 20 percent broken. The Sub-Index for Aromatic Rice follows movements in prices of Basmati and Fragrant rice.

1/ White rice, 100% second grade, f.o.b. Bangkok, indicative traded prices. 2/ A1 super, f.o.b. Bangkok, indicative traded prices. 3/ U.S. No.2, 4% broken f.o.b. 4/ Basmati: ordinary, f.o.b. Karachi.

Table A.8 – PRICE INDICES AND SELECTED INTERNATIONAL PRICES FOR OILCROP PRODUCTS

Marketing years	FAO Indices			International Prices				
	Oilseeds	Edible/Soap Fats/Oils	Oilcakes/ Meals	Soybeans 1/	Soybean Oil 2/	Palm Oil 3/	Soybean Cake 4/	Rapeseed Meal 5/
October/September	(. 1990-92=100)			(. U.S.\$/tonne)				
1997/98	109	154	116	256	634	641	197	138
1998/99	89	125	82	209	483	514	149	104
1999/00	83	91	89	209	355	337	180	124
2000/01	82	76	98	206	314	254	198	146
	Oct.-Mar.			197	356	289	178	135
	Apr.-Sept.			188	378	323	175	135
2001/02	83	95	100	213	445	392	174	122
	Oct.-Mar.			241	543	442	186	133
	Apr.-Sept.			246	535	414	197	149
2002/03	103	124	106	311	623	484	253	188
	Oct.-Mar.							
	Apr.-Sept.							
2003/04	134	143	140					
	October							

Sources: FAO and Oil World.

Note: The FAO indices are calculated using the Laspeyres formula; the weights used are the average export values of each commodity for the 1990-92 period. The indices are based on the international prices of five selected seeds, ten selected oils and fats and seven selected cakes and meals.

1/ Soybeans (US, No.2 yellow, c.i.f. Rotterdam). 2/ Soybean oil (Dutch, fob ex-mill). 3/ Palm oil (Crude, c.i.f. North West Europe). 4/ Soybean cake (Pellets, 44/45%, Argentina, c.i.f. Rotterdam). 5/ Rapeseed meal (34%, Hamburg, f.o.b. ex-mill).

Table A.9 - WHEAT AND MAIZE FUTURES PRICES

	December		March		May		July		
	this year	last year	this year	last year	this year	last year	this year	last year	
	(. US\$/tonne)								
WHEAT									
September	22	127	143	131	143	129	137	121	127
	30	132	146	136	147	135	139	126	129
October	7	122	139	126	141	127	134	121	124
	14	120	133	123	135	125	131	119	122
	21	125	150	129	148	128	139	121	124
	28	139	153	142	150	139	138	128	119
MAIZE									
September	22	90	100	93	103	94	104	95	105
	30	87	99	90	102	92	104	93	104
October	7	88	102	91	105	93	106	94	106
	14	86	97	89	99	91	101	92	102
	21	85	100	87	102	89	103	90	103
	28	95	97	97	99	99	100	99	100

Source: Chicago Board of Trade

Table A.10 - OCEAN FREIGHT RATES FOR WHEAT

	From U.S. Gulf ports to:				From North Pacific ports to:	
	Rotterdam 1/	CIS Black Sea 1/ 2/	Egypt (Alexandria) 1/	Bangladesh 1/	China 1/	Japan 1/
	(..... US\$/tonne.)					
July/June						
1998/1999	9.42	25.45	9.25	18.75	27.00	29.17
1999/2000	12.60	40.97	13.65	18.50	27.00	32.83
2000/2001	13.10	40.97	15.00	18.31	27.00	36.31
2001/2002	10.99	40.97	15.00	18.50	26.90	34.19
2002/2003	12.50	40.97	16.67	22.50	27.23	31.50
2002 - October	10.75	40.97	15.00	18.50	27.00	29.00
2003 - February	12.00	40.97	15.00	18.50	27.00	29.00
March	12.00	40.97	17.00	26.00	27.00	29.00
April	16.00	40.97	21.00	32.00	27.00	35.00
May	16.00	40.97	21.00	32.00	27.00	35.00
June	18.20	40.97	21.00	32.00	29.70	35.00
July	18.20	40.97	21.00	32.00	27.00	35.00
August	20.00	40.97	21.00	32.00	27.00	35.00
September	20.00	40.97	23.00	36.00	27.00	35.00
October	20.00	40.97	23.00	36.00	27.00	42.00

Source: International Grain Council

Note: Estimated mid-month rates based on current chartering practices for vessels ready to load three to four weeks ahead.

1/ Size of vessels: Rotterdam over 40 000 tonnes; CIS 20-40 000 tonnes; Egypt over 30 000 tonnes; Bangladesh over 40 000 tonnes; China 20-35 000 tonnes; Japan 15-24 999 tonnes.

2/ Excludes CIS and United States flag vessels.

Table A.11 - SELECTED INTERNATIONAL COMMODITY PRICES

	Currency and Unit	Effective Date	Latest Quotation	1 month ago	1 year ago	Average 1989-91
Sugar (I.S.A. daily price)	US cents per lb	21.10.03	5.82	5.86	7.79	11.4
Coffee (I.C.O. daily price)	US cents per lb	24.10.03	53.28	53.08	52.48	76.7
Cocoa (I.C.C.O. daily price)	US cents per lb	28.10.03	64.59	73.73	92.99	56.0
Tea (total tea, Mombasa)	US\$ per kg.	28.10.03	1.68	1.61	1.52	1.5
Bananas (Central America, f.o.b., Hamburg)	€ per tonne	24.08.03	602 ^{1/} 553 ^{2/}	776 ^{1/} 648 ^{2/}	983 ^{1/} 820 ^{2/}	566
Cotton (COTLOOK, index "A" 1-3/32")	US cents per lb	24.10.03	74.25	66.45	49.6	78.5
Jute "BWD" f.o.b. Mongla at sight	US cents per lb	24.10.03	245	245	225	391.2
Wool (64's, London)	Pence per kg	24.10.03	509	546	553	466

Source: FAO

1/ EU duty paid, estimated. 2/ Estimated price for EFTA markets.

STATISTICAL NOTE: Data are obtained from official and unofficial sources. For cereals, production data refer to the calendar year in which the whole harvest or bulk of harvest takes place. For sugar, production data relate to the October/September season. For vegetable oils and oil meals derived from oilseeds, production data refer to the year in which the bulk of the seeds concerned are crushed. For trade in wheat and coarse grains, the time reference period is normally the July/June marketing year unless otherwise stated. Trade data for rice and other commodities refer to the calendar year. Coarse grains refer to all other cereals except wheat and rice. Quantities are in metric tonnes unless otherwise stated. '-' means nil or negligible.

In the presentation and analysis of statistical material, countries are sub-divided, where appropriate, into the following two main economic groupings: "Developed countries" (including the developed market economies and the transition markets) and "Developing countries" (including the developing market economies and the Asia centrally planned countries). The designation "Developed and "Developing" economies is intended for statistical convenience and does not necessarily express a judgement about the stage reached by a particular country or area in the development process.

References are also made to special country groupings: Low Income Food Deficit Countries (LIFDCs), Least Developed Countries (LDCs) and Net Food-Importing Developing Countries (NFIDCs). The LIFDCs currently includes 83 countries that are net importers of cereals with per caput income below the level used by the World Bank to determine eligibility for IDA assistance (i.e. US\$1 445 in 2000). The LDCs and NIFDCs groups include a list of countries agreed by the World Trade Organization (WTO) to qualify as beneficiaries under the Marrakech Decision on the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food Importing Developing Countries. The LDCs group currently includes 49 countries with low income as well as weak human resources and low level of economic diversification. The list is reviewed every three years by the Economic and Social Council of the United Nations. The NIFDCs group includes 22 developing country WTO Members which notified their request to be listed as NFIDCs and have submitted relevant statistical data concerning their status as net-importers of basic foodstuffs during a representative period. This list is reviewed annually by the WTO Committee on Agriculture.

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Contents and Release Dates ^{1/}	No. 1 7 February	No. 2 9 April	No. 3 12 June	No. 4 16 September	No. 5 17 November
Cereal Supply/Demand Roundup ^{2/}	●	●	●	●	●
Cereal Production, Trade, Stocks & Prices	●	●	●	●	●
Cereal Utilization – extended report		●			
Food Aid and Cereal Import Bills		●			
Ocean Freight Rates		●			
Fertilizers	●	●	●	●	●
Cassava			●		
Meat and Meat Products		●			●
Milk and Milk Products		●			●
Oilseeds, Oils and Oilmeals			●		●
Pulses			●		
Sugar			●		●
Fish	●				

1/ These dates are tentative and refer to the release of the English version. Food Outlook in Arabic, Chinese, French and Spanish language is available shortly after the release of the English version.

2/ Including update on food emergencies.

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