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ASSESSMENT OF THE CURRENT WORLD FOOD SECURITY AND

STOCK SITUATION, AND THE SHORT TERM OUTLOOK

This paper has been prepared to assist the Committee in reviewing the current food security situation and outlook and in evaluating the adequacy of world cereal stocks. It is divided into five sections. After the summary and conclusions, the current food security situation and outlook is analysed. This is followed by a review of the situation in the developing countries. The present level of stocks and their adequacy to meet global needs are then appraised. A preliminary assessment is also made of the crop prospects for 1981 and their implications for world food security in 1981/82. The Committee may wish to take the conclusions of this document into account in making recommendations under other agenda items. This paper takes into account information available until mid-January 1982. An updated summary of latest developments will be tabled at the session.

I SUMMARY AND CONCLUSIONS

1. World cereal production in 1981 exceeded the expected global utilization for the first time in three years, leading to a rise in carryover stocks at the end of the 1981/82 season and a definite improvement in the global food security situation. Poor crops in several countries in Africa and Asia however, continued to create serious food shortages, in some cases for the second successive year.
2. The improvement in the overall supply situation is due to record crops in the main wheat and coarse grain exporting countries, as well as in the major rice importing and exporting countries. This expansion partly reflects the higher prices prevailing in 1980 and partly the favourable growing conditions. Production of non-cereal foodstuffs has also risen in developing countries. The rise in world cereal production of 6 percent in 1981 exceeded the trend for the first time since 1978, despite the lower harvests in Europe and the USSR. Output in the developing countries rose by 5 percent, well above the average growth during the last decade, whereas in the low income countries (with per caput incomes of \$370 or less in 1979) the increase was only marginally above the rate of growth of population.
3. As a result global cereal stocks, which were drawn down heavily during 1979/80 and 1980/81, are provisionally forecast to rise to 268 million tons at the end of the 1981/82 session, representing close to 18 percent of world consumption. Coarse grains will account for the bulk of the increase - 36 million tons out of the total rise of 42 million tons. Rice stocks are also expected to increase to a record level. On the contrary, carryovers of wheat, although somewhat higher, would remain below the levels reached at the end of 1978/79 and 1979/80. International prices of wheat and coarse grains have been substantially lower during the first half of the 1981/82 season, while those of rice have declined by almost 30 percent since mid-1981.
4. Of considerable concern is the fact that the relatively good performance of production in the developing countries in 1981 is not expected to prevent a further rise in their cereal imports in 1981/82. While the imports of all developing countries combined are forecast to increase by only 3 percent, which is less rapid than in recent years, those of the low-income countries may rise to 29 million tons, 16 percent or 4 million tons more than in 1980/81. Food aid in cereals is expected to remain below the minimum target of 10 million tons. The quantity of food aid which is expected to go to the CFA's food aid priority countries in 1981/82 - while higher in absolute terms - may account for only 18 percent of their total imports compared to 28 percent five years earlier. Despite lower cereal prices and ocean freight rates, the cost of the commercial imports of the low-income countries is likely to continue to rise substantially in 1981/82.
5. Consequently, while the overall food supply situation has improved, the global figures conceal the continuing food security difficulties of many countries, particularly in Africa. Far from achieving greater self-sufficiency, the low-income countries are faced with a widening food gap. It remains essential for them to expand production more rapidly in the future in order to keep pace with rising requirements. Until a satisfactory and sustained growth in production is achieved, it will be vital to maintain and possibly increase the flow of food aid to enable these countries to satisfy their import requirements, some of which may be required to meet emergency needs without adversely affecting their economic development efforts. More effective reserve stock programmes will also be needed to reduce the vulnerability of developing countries to fluctuations in supply.
6. The absence of international market stabilization arrangements for grains remains a source of concern. During the past few years, rising international market prices have caused difficulties for many importing countries. This year, on the contrary, the decline in prices and rise in costs has led to concern in exporting countries that farmers' incentives will weaken and that this may limit growth in 1982 and even beyond. Market and price stabi-

lization arrangements could contribute substantially to maintaining these incentives. Progress in this direction, and in promoting investment in irrigation, infrastructure and marketing facilities, particularly in developing countries, as well as in creating food security reserves as a protection against major production shortfalls, is crucial to world food security.

II GLOBAL FOOD SITUATION IN 1981/82

7. Record cereal crops in 1981 which are expected to exceed 1981/82 consumption have led to a definite improvement in the global food situation, although a number of countries are still seriously affected by food shortages. World cereal production rose by almost 6 percent in 1981 exceeding the trend value for the first time since 1978. Production of wheat, rice and coarse grains all reached record levels, but the largest rise occurred in the case of coarse grains where output rose by 9 percent above the poor 1980 crop.

Table 1 World production, trade and stocks of cereals, 1979/80 to 1981/82 ^{1/}

	Production			Imports			Closing Stocks		
	1979	1980	1981	1979/ 1980	1980/ 1981	1981/ 1982	1979/ 1980	1980/ 1981	1981/ 1982
			prelim.		prelim.	fore- cast		prelim.	fore- cast
 million tons								
Total Cereals	1 433	1 433	1 523	198	207	215	253	226	268
Wheat	429	446	459	88	92	100	102	94	98
Coarse Grains	753	723	791	98	103	104	109	89	125
Rice (milled)	251	265	272	12	12	11	42	42	45
Dev.ing Countries (low income) ^{2/}	637 (449)	644 (452)	679 (468)	91 (23)	98 (25)	101 (29)	97 (74)	93 (68)	101 (72)
Far East	461	464	481	34	36	40	81	75	79
Near East	54	55	56	20	22	23	7	8	9
Africa	43	44	45	13	14	16	2	3	4
Latin America	79	82	98	24	26	21	6	7	9
Dev.ed Countries	797	788	843	107	109	114	156	132	167
North America	337	309	378	1	2	1	92	74	110
Western Europe	164	176	164	31	29	30	26	26	24
E. Europe & USSR	250	263	250	49	51	55	19	17	17
Oceania	24	17	24	-	-	-	6	3	4

^{1/} Totals computed from unrounded data.

^{2/} The low income developing countries include all countries with a per caput income of US \$370 or less in 1979.

In the case of wheat and coarse grains, the rise was concentrated in the major exporting countries, particularly the United States and Canada. Wheat and coarse grains crops were also larger in the developing countries, with the exception of Morocco, where drought severely reduced output, and several countries in the Near East. Rice production increased in both the major importing and exporting countries, rising by 3 percent above the high 1980 level.

8. Cereal crops declined however in Europe and the USSR. In Western Europe, unfavourable weather resulted in smaller crops of both wheat and coarse grains, particularly in the EEC, Portugal and Spain. For the USSR, where cereal production was poor for the third year in succession, the 1981 harvest is currently estimated at 170 million tons, 12 million tons less than in 1980 and about 50 million tons or 23 percent below the target under the current Five Year Plan. Supplies of foodgrains appear to have been maintained, however, and the impact has been concentrated almost entirely on the feed sector. However increased imports of wheat and maize, compound feed and soybean meal, better supplies of root and fodder crops and an improvement in feed efficiency have compensated for the reduction in domestic feed grain supplies, and the output of animal products (except milk) is expected to increase in 1981/82. In several countries of eastern Europe, the food situation has deteriorated. Although the coarse grain crops were larger in some countries, wheat output declined by almost 8 percent, so that total grain production was 1.4 percent less than in 1980 and 3 percent less than the peak in 1978. Food shortages have developed particularly in Poland and Romania where rationing has been introduced.

9. World imports of cereals in 1981/82 are forecast to continue to increase, rising by nearly 4 percent to 215 million tons - almost twice the volume traded in 1970. The increase mainly reflects another large increase in purchases by the USSR and in the import requirements of the developing countries. Coarse grain imports are forecast to rise by 1.5 million tons to 104 million tons, while wheat imports are expected to increase by 8 million tons to over 100 million tons. However, due to good harvests in most importing countries, world trade in rice is expected to decline from 12 million tons to about 11 million tons.

10. In the developing countries, cereal imports are expected to rise by 3 percent to 101 million tons, largely reflecting increased imports of wheat. The import requirements of many developing countries may be lower in 1981/82 as a result of good 1981 crops, but the imports of the low-income countries ^{1/} are likely to rise by more than 4 million tons to 29 million tons (see paras 22 to 24 below).

11. The 1981/82 cereal stock situation is expected to show some improvement unlike in the previous two years, when output had been less than global requirements, and stocks had been drawn down heavily to satisfy requirements for consumption. Global carryover stocks are tentatively forecast to rise by 42 million tons or 19 percent by the end of 1981/82 seasons. Most of the increase is concentrated in coarse grains and stocks of rice are also expected to be larger. Although wheat stocks will increase, they will remain below the level of 1978/79 and 1979/80.

12. International market prices of wheat and coarse grains have been substantially below last year's high levels during most of the first half of the 1981/82 season. The lower level of prices reflects not only the record crops but also the relative strength of the US dollar, the generally unfavourable economic outlook and relatively high interest rates which have curbed the propensity to hold stocks and reduced speculative trading in futures markets. Lower wheat prices have reflected the record harvest in North America plentiful export supplies and limited buying by importers in the United States relative to earlier expectations. In late December 1981 the export price for US No. 1 Hard Red Winter f.o.b. Gulf at US \$172 per ton was US \$15 or 8 percent below the quotation a year

^{1/} As defined by the World Bank to include all countries with a per caput income of US \$370 or less in 1979.

earlier. Prices of maize have continued the downward trend which began last August. Their decline accelerated as successive crop estimates confirmed that United States production would rise to a record level in 1981, and that supplies would be sufficient to replenish maize stocks to near record levels. Average December maize export prices in the United States (yellow no. 2 delivered Gulf) were US \$109 per ton or 26 per cent below those quoted for the same month a year ago. International rice prices also declined sharply during the second half of 1981 due to the growing certainty that the 1981 crop was abundant in nearly all the major exporting and in several of the leading importing countries. Between June and December prices of leading grades of Thai and United States rice fell by US \$120 per ton, almost 25 percent, but even more in the case of the top qualities. However, although cereal export prices during the first half of 1981/82 were lower than the previous year, the relatively strong position of the US dollar has increased the cost of cereal imports in terms of the national currencies of several importing countries.

13. Another important development in 1981 was the recognition by the International Wheat Council (IWC) that the proposals for an alternative approach to a new Wheat Trade Convention which had been under discussion since mid-1980 were not negotiable. The Council decided that it was "imperative to continue the search for an agreed basis for a new agreement". In the meantime, under the existing convention (1971) which is extended to 1983, the IWC agreed to develop further the monitoring of market conditions and carry out more work on the medium term outlook for wheat and on the evaluation of grain stock holding policies and practices.

III FOOD SITUATION IN THE DEVELOPING COUNTRIES

14. For the first time in several years, food production increased in all of the developing regions in 1981. The aggregate increase of 3.8 percent in their food production was higher than both the rate of growth of population and of production over the past decade.

Higher production of cereals

15. As cereals constitute the basic food in most developing countries, and domestic production accounts for almost 90 percent of their aggregate supplies, the level of cereal output is critical for their food security. In 1981 the overall situation improved considerably. Cereal production rose 5 percent, the largest increase since 1978 and well above the annual average growth rate of 3 percent over the last decade. The situation was less favourable in the low-income countries, however, where production rose by 3.5 percent.

16. Most countries in the Far East harvested good crops in 1981 and total cereal output is estimated to have increased by 3.7 percent. Despite drought or near drought conditions in several important producing areas, 1981 cereal production in India is estimated to be higher than last year. Indonesia had a bumper rice crop, and production in China is also estimated to have increased despite serious drought and flood damage in two important provinces. Paddy production in Bangladesh is estimated to have declined, and wheat output has remained at last year's level. In Kampuchea and Vietnam, cereal production is inadequate to meet requirements for the second year in succession.

17. In Africa, there has been a noticeable improvement in production in the sub-Saharan region including many of the 26 countries which were the subject of the Director-General's appeal to donors in September 1980. In the Sahel normal production levels are expected in Gambia, Mali, Senegal and Upper Volta. However, serious shortages could emerge in Chad, Ghana and Sierra Leone where output has been lower. Elsewhere, better crops are expected in central, eastern and southern Africa, with the important exceptions of Angola, Ethiopia,

Madagascar and Mozambique where the 1981 harvests have been poor. Cereal crops were badly affected by drought in Morocco, where output fell by almost 50 percent to 2.2 million tons. Several countries in the Near East including Iraq, Jordan and Syria, have also had poor crops, but output in Latin America increased, reflecting the considerably larger harvests in Argentina, Brazil and Mexico.

18. The improvement in production in the developing countries is reflected in the fact that the FAO Early Warning System identified 19 countries as suffering from abnormal food shortages in late 1981 compared with 30 countries a year ago. Abnormal food shortages remain in 15 countries in Africa, as well as in Kampuchea, Vietnam and Yemen P.D.R., and in 11 of them the situation is aggravated by two successive poor crops. In several of these countries the food situation continues to be particularly difficult because of the problems created by refugees and displaced persons.

Production of other staple foods also rises

19. The output of other staple foods in developing countries has also increased in 1981. The production of cassava is expected to reach 126 million tons, 3 percent more than previous year. In Africa, where cassava accounts for 10 percent of total dietary energy supplies, production is estimated at over 48 million tons, 3 percent more than in 1980. The area under cassava is reported to have increased in Nigeria, Zaire and in several smaller producing countries. Output of pulses in the developing countries, which had fallen last year is also estimated to have risen by almost 6 percent to 39 million tons. In the Far East, which accounts for more than half of global pulse production and consumption, an 8 percent increase is estimated. Output in India is estimated to have recovered but remains below the high 1979 level. Larger crops are also expected in Latin America, where pulse production support programmes have been intensified in several countries. However, pulse output is estimated to have declined in Africa, despite increases in some countries in central and west Africa.

20. Strong demand for most animal products, coupled with more ample and cheaper supplies of feeds, has resulted in accelerated growth of livestock production in a number of developing countries in 1981/82. In the relatively higher income countries, especially in the Near East, the rapid increase in poultry, meat and egg output has continued. The growth in output of these products in Latin America and the Far East is expected to accelerate following a brief period of rather modest rise. However, the production of bovine, sheep and goat meat is again likely to show very little increase. Milk production, which had suffered from adverse weather in important producing areas of Asia and Latin America in 1980/81, is expected to rise in 1981/82.

21. As regards edible/soap fats and oils, per caput utilization in developing countries is expected to remain unchanged in 1982 at about 8 kilograms, i.e. more than 70 percent below the average level in the developed countries. The estimated 1982 output of 26.5 million tons in the developing countries is about one million tons more than in 1981. Production increases are expected in the exporting countries of the Far East, as well as in Argentina, Mexico and China. But in Africa output is likely to remain below trend for the second consecutive year despite some recovery in groundnut production in West Africa.

Growing cereal imports of developing countries

22. The overall performance of cereal crops in developing countries in 1981, while relatively good, was not sufficient to prevent a further rise in their imports which is forecast for 1981/82. While the imports of all developing countries combined are likely to increase by only 3 percent (less rapidly than in recent years) those of the low-income countries are expected to rise sharply by 16 percent. Increased imports are expected not only for China and India, but also for many small low income countries: although the quantities involved are limited in some cases,

they represent large increases in both the volume and cost of imports for the countries concerned. The total cereal imports of the low-income countries are currently forecast to rise to 29 million tons, more than 4 million tons larger than in 1980/81. Even if India and China, which together account for over 60 percent of the total, are excluded, the aggregate imports of the other low income countries would rise by almost 2 million tons to 11 million tons. This compares with a decline in 1980/81 when several countries (e.g. Bangladesh and Indonesia) needed less.

23. Despite the improvement in production in the Far East, imports of the low-income countries in this region are forecast to increase by 4 million tons to almost 25 million tons in 1981/82. The largest increase is expected for India which, despite better 1981 crops, has reentered the world market for the first time in five years in order to supplement government purchases of domestic wheat and to replenish stocks. Larger imports are also expected in a number of other countries in the region, including Bangladesh and China. Only in Pakistan, where cereal crops have shown an annual increase of 6 percent for two successive years are imports expected to decline.

24. In the low income countries of both the Near East and Africa, imports are expected to remain at the same high level as last year. In Africa, better crops may result in reduced imports for some countries but aggregate imports into the region are expected to rise by 3 percent. Thirteen out of the twenty-one low income-countries in Africa are estimated to require as much or more than in 1981/82; in particular substantially larger quantities are needed by Chad, Sierra Leone, Tanzania and Upper Volta.

25. Despite lower cereal prices and freight rates, the cost of the commercial imports of low-income countries in 1981/82 is expected to rise substantially. The actual value will depend on the volume of imports as well as the level of prices and freight rates during the season and on whether the current estimates of food aid allocations and commitments will materialize as actual shipments.

26. The extension of the compensatory financing facility of the International Monetary Fund to provide assistance for financing increases in the cost of cereal imports to members encountering balance of payments difficulties could help several low-income countries. The extent of the help will depend on several factors, including the willingness of countries to use the facility given the interest charges involved (4.4-6.4 percent per year), the eligibility of the requesting countries and the speed with which the IMF will be able to respond to such requests. Malawi was the first country to make use of this new facility. The excess in the cost of Malawi's cereal imports during the twelve month period ended June 1981 was largely due to the extraordinary imports of maize, the country's staple food, after two years of poor domestic crops due to drought and irregular rainfall. Malawi will thus receive SDR 12 million under this facility, as its estimated excess of SDR 18.7 million in cereal import costs has been partly offset by an estimated export excess of SDR 6.6 million during the same period.

27. Given the continued rise in the import needs of the low-income countries, food aid remains important to their food security. There is some concern that the quantities in 1981/82 may fall short of the amounts required to maintain per caput consumption ^{1/}. Food aid allocations this year are currently estimated by FAO at 9.3 million tons, 700 000 more than estimated shipments in 1980/81 (Table 2). While most of the increase is expected to go to the food aid priority countries, ^{2/} which are attracting a larger share of total food

^{1/} See for example, World Food Aid Needs and Availabilities, 1981, United States Department of Agriculture, Foreign Agricultural Economics Report No. 168, Washington, D.C August 1981.

^{2/} Defined according to the CFA guidelines to include all "food deficit" countries with per caput incomes below the level used by the World Bank to determine eligibility for IDA assistance, i.e. currently US \$730 and below in 1980. "Food deficit" countries are interpreted as net cereals importing countries, i.e. excluding Burma, Thailand and Zimbabwe which are eligible for IDA assistance but are net cereals exporters.

aid than in earlier years, food aid may contribute only 18 percent of their total imports in 1981/82 compared to 28 percent only five years ago. For the low income countries the decline would be even greater - from 28 percent in 1976/77 to 15 percent in 1981/82.

Table 2: Food aid in cereals and its share of the imports of food aid priority countries 1/

	FOOD AID		Total imports of food aid priority countries	Share of food aid in total cereal imports
	Total	To food aid priority countries		
	(. . . thousand tons grain equivalent . . .)			(percent)
1976/77	9107	7090	25 451	27.9
1977/78	9216	7177	29 174	24.6
1978/79	9485	7510	30 767	24.4
1979/80	8990	7301	34 308	21.3
1980/81	8564	7170	38 265	18.7
1981/82	9277	7767	42 461	18.3

1/ Defined according to the CFA guidelines to include all "food deficit" countries with per caput incomes below the level used by the World Bank to determine eligibility for IDA assistance, i.e. currently US \$730 and below in 1980. "Food deficit" countries are interpreted as net cereals importing countries, i.e. excluding Burma, Thailand and Zimbabwe which are eligible for IDA assistance but are net cereals exporters.

IV ASSESSMENT OF THE ADEQUACY OF STOCKS

28. It is expected that the cereal crops harvested in 1981 will be sufficiently large to replenish cereal carryover stocks in 1981/82 after meeting the increased requirements for consumption. Carryover stocks at the end of the 1981/82 seasons are currently forecast to rise to 268 million tons, an increase of 42 million tons or 19 percent above the low opening level (Table 3). End-of-season stocks of coarse grains would rise significantly by 36 million tons and rice stocks by 3 million tons to a record 45 million tons. End-of-season stocks of wheat are also likely to increase but would remain below the levels reached at the end of 1978/79 and 1979/80.

Table 3: World carryover stocks of cereals 1/

	Crop years ending in:			
	1973-74 average	1980	1981 prelim.	1982 forecast
	(. million tons)			
Total Cereals	178.5	252.6	225.3	250
Main Exporting Countries	82.6	135.1	112.5	134
Others	95.9	117.5	112.8	116
Developed Countries	119.4	156.2	131.7	152
Developing Countries	59.1	96.4	93.6	98
Wheat	76.0	101.6	93.3	93
Rice (milled)	26.4	41.8	42.5	45
Coarse Grains	76.1	109.3	89.5	112
	(. percent)			
World stocks as a proportion of apparent world consumption	14	17	15	16

Note: Stock data are an aggregation of figures giving national carryover stocks at the end of national crop years and should not be construed as representing world stock levels at a fixed point of time.

1/ Totals computed from unrounded data.

29. With the anticipated replenishment, global cereal stocks at the opening of the 1982/83 seasons are forecast to reach the level of 17-18 percent of consumption which is estimated by the Secretariat to be the minimum safe level for world food security. However, global wheat stocks would remain below the more satisfactory levels reached earlier. This is a matter of concern given the critical role of wheat in ensuring food security.

30. The estimated 37 million ton rise in stocks in the main cereal exporting countries largely reflects an increase in inventories of coarse grains. Wheat stocks in these countries are expected to rise only marginally above the low level of the previous two years. In the United States the largest stock holder, some 70 percent of the total end-of-season stocks forecast for wheat and coarse grains are expected to be held under government owned programmes, largely isolated from the market. The bulk of this would be in the Farmer Owned Reserve.

31. In developing countries, carryover stocks are forecast to rise by about 8 million tons to 101 million tons. Holdings of rice would be larger in both exporting and importing countries including Indonesia, Thailand and the Republic of Korea. Wheat stocks are forecast to increase in Pakistan due to the record 1981 crop and substantial increases in maize stocks are expected in Zimbabwe, where exports are not likely to achieve the levels anticipated earlier, as well as in Brazil where larger crops were harvested. Despite the fact that domestic procurement of wheat has been below target in India, imports will enable some replenishment of wheat stocks from their low opening level. However in many developing countries, stocks remain below their target levels.

V. OUTLOOK FOR 1982/83 AND IMPLICATIONS FOR WORLD FOOD SECURITY

32. It is essential to achieve another substantial increase in production in the developing countries in 1982, and particularly in the low-income countries. As noted earlier, the rise in output in 1981, although relatively large, was not sufficient to prevent a further increase in the imports of the low-income countries in 1981/82. Whether or not this trend will continue, will depend crucially on the increases achieved in these areas rather than at the global level.
33. As mentioned earlier, it is expected that there will be only a small increase in wheat stocks at the end of the 1981/82 seasons. It is therefore, particularly important that carryover stocks of wheat are replenished in 1982/83 in countries where they are inadequate.
34. Present indications are that the area planted to winter wheat in the northern hemisphere may be close to last year's record level ^{1/}. In the United States, the area is expected to approximate the 1981 record of over 26 million hectares. The size of the crop will, however, also depend not only on the weather but also on the degree of participation in the wheat acreage reduction programme which has not affected sowings but could still have an impact on the area harvested. In the USSR, the latest official information on winter grain sowing as of late October indicated that 34.2 million hectares had been planted, virtually the same area as in 1981 and about 3 million hectares less than the record sown in the autumn of 1979.
35. Dry weather has affected crop conditions in many parts of the northern hemisphere, and sowings have been delayed in Spain, Portugal, eastern Europe, Bangladesh and parts of Northern Africa, including Algeria and Morocco where the 1981 crops were extremely poor. Crop prospects in the unirrigated wheat areas of China, are uncertain owing to inadequate rains so far, but the outlook has improved following rain in much of the winter grain area of northern India.
36. In the southern hemisphere the harvests are likely to be larger in eastern Africa and the main season rains are progressing normally in most countries in southern Africa. South Africa had, however, a dry spell in the beginning of November which has seriously affected the wheat crop and has delayed maize plantings. Maize planting in Argentina has been affected by dry weather but the prospects for sorghum production have improved. In Brazil, the 1982 maize crop is forecast to be larger than the 22.6 million tons produced in 1981. In Australia, sowing of sorghum and maize has started in Queensland and northern New South Wales.
37. The prospect of achieving the required increase in production in 1982 will depend largely on the weather and the extent to which farm price levels encourage producers to maintain or increase the area sown, and to apply additional inputs such as fertilizer. Concern has been expressed that at the current level of world cereal prices, incentives to producers in exporting countries have weakened and that this could dampen growth in cereal production in 1982 and beyond. While in 1981 United States export prices of wheat and maize were 10-15 percent below the real value of ten years before, the returns and incentives to producers are influenced by several other factors as well. Most major producing countries have national farm support programmes, which in some cases can be more decisive in deter-

^{1/} At the time of writing (mid January), there were only a few indications for the 1982 crops. An up-to-date review of the development of these crops will be tabled as document CFS: 82/2, Sup.2.

mining whether farmers' returns will be remunerative or not. Moreover, the assessment for the individual producer of the margin of profit necessary to continue producing or to expand production will also be determined by a number of other factors including the price of competing crops, yields, farm size, operating costs, debt structure and off-farm opportunities.

38. Over the medium term the question of price will be crucial in determining whether production in exporting countries will continue to respond to food shortages as rapidly as it has in the past. The role of prices and other incentives will also be of key importance in developing importing countries which are increasingly concentrating on achieving the maximum possible self-reliance in food production. But a number of other factors such as the availability of fertilizers and other inputs, the amount of investment and the development of infrastructure including irrigation and marketing facilities will also be essential.

39. Another development which will require close monitoring over the medium term is the impact on global food supplies and prices of the conversion of agricultural commodities into fuel alcohol. Although many countries are currently investigating the potential of converting agricultural commodities into fuel alcohol, only a few of them are now producing on a commercial basis. It appears that large scale production of fuel alcohol from agricultural commodities requires substantial government subsidies, and the need for such subsidies seems to be the major constraint to the expansion of ongoing programmes and to the implementation of new ones. While continuation of government support to such programmes is uncertain, if it is maintained in countries which are currently producing fuel alcohol from agricultural products, and future targets are achieved, energy cropping could have a substantial impact on world grain markets. Although it is doubtful whether this is likely to occur in practice, further developments will need to be watched very closely in order to assess the impact of energy cropping on food supplies and prices. 1/

1/ The current status of national programmes is reviewed in detail in Document CFS: 82/2, Sup.1, An Inventory of National Policies, Plans and Programmes to Produce Fuel Alcohol from Agricultural Commodities.

