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Note by the Secretary-General of the Conference

In accordance with the request made by the Preparatory Committee for the World Food Conference at its third Session 1/, the Secretary-General of the Conference submits the following statement prepared by the Food and Agriculture Organization of the United Nations, which reviews the main developments affecting the world food situation and prospects since the publication in August 1974 of the document entitled ''Assessment of the World Food Situation: Present and Future'' (E/CONF.65/3).

1. The world food situation has worsened in recent months. Contrary to earlier expectations, 1974 has failed to bring the good harvests needed for the replenishment of stocks and the re-establishment of a reasonable degree of security in world food supplies. Thus the world continues to face a situation of shortage and uncertainty for at least another year.

2. Earlier hopes for an easier supply situation for cereals were based on the efforts by farmers in many countries to expand grain production, stimulated by high prices and, in many cases, additional governement incentives. Unfortunately, the weather has been unfavourable in several important grain-growing areas. North America experienced an unusual combination of too much rain in the spring, a prolonged summer drought and early frosts, whereas parts of Asia suffered from floods and droughts due to the erratic performance of the monsoon. Shortages of power and fuel for irrigation pumping have also clouded production prospects further in some countries. The shortage and high prices of fertilizers have continued. The steep rise in the prices of imported raw materials has aggravated tha balance of payments problems of many countries, especially developing countries, and severely reduced their ability to import essential inputs such as fertilizer and oil.

3. Although world livestock production made a substatial recovery, FAO's preliminary forecasts show no significant increase in world production of all foods in 1974, indicating a reduction in the *per caput* supply. Moreover, the increase in livestock production reflects serious problems in the livestock sector and has not contributed to food supplies in the areas of greatest shortage.

1/ E/CONF.65/6, para. 16

Production developments

4. World cereal production is expected to fall in 1974 for the second time in three years, and may be 30 to 40 million tons smaller (about 3 percent) than in 1973 (Table 1). In North America, earlier optimistic expectations of record cereal harvests have been progressively scaled down as a result of drought and early frost. There were record cereal crops in western Europe, but the U.S.S.R. cereal crops have apparently fallen more than was earlier expected, and some decline is expected in Australia. In Africa, Latin America and the Near East substantial gains were registered over the generally poor results of 1973, although in the Near East the improvement was less than hoped earlier due to insufficient rainfall. In China, despite unfavourable weather, production is reported to exceed the previous record of 250 million tons reached in 1971. In the crucial Far East region, however, the monsoon was late and erratic, and cereal production appears to be considerably below the high levels of 1973.

5. India is facing a very difficult food situation because of drought over extensive areas. Large numbers of people have been affected and the demand on the public distribution system will be heavy in the next year. The Bangladesh food situation has been equally adversely affected by the disastrous floods of this year, and the rice crop has suffered badly in many areas. In Africa, the Sahel countries have had better rains this year, but are still facing a difficult food situation.

6. Declines in world production seem now probable in 1974 for all the major cereals - wheat, rice and coarse grains. The fall in U.S.S.R. production from last year's record level is the main factor in the decline foreseen for wheat. For coarse grains, the sharp reduction in the U.S. crop (as much as 17 percent for maize) will result in an overall fall in world production even though crops in most other regions were good. All of the decline in rice production is expected to occur in the Far East; the United States, the largest rice exporter, has a record harvest.

7. In contrast to the decline in cereal production, there was a recovery of livestock output in 1974, especially in western Europe where surplus stocks of meat have accumulated. The increase in world meat production in 1974 reflects the record cattle inventories built up in 1973 and earlier in response to high meat prices. Overall, the world livestock industry will face a continuing difficult situation in 1975. On the one hand, producers in many countries are faced with increasing costs of feed combined with weakening farmgate prices. On the other hand, consumer resistance to the high retail prices, together with lower real incomes and general inflation, impedes meat moving into consumption. Exporters will continue to encounter serious problems in finding outlets in view of the worsened trade conditions and restrictions of access to the market of most importing countries. Stagnant demand and the building of stocks of livestock on the hoof, in addition to the substantial stocks of meat in cold storage, may prevent any improvement in livestock prices before late 1975. There is little likelihood of a revival of import demand in 1975 and the volume of international trade in meat is expected to remain relatively small.

8. Although cereals and livestock products are the main determinants of the overall level of food production, mention must be made of some other main commodities. The production of total vegetable oils and oilseeds (in oil equivalent) is estimated to have decreased by about 2 percent in 1974. Of the individual products, groundnuts rose by about 3 percent, with a large increase in Africa (+30 percent) and declines in Latin America (16 percent) and the Far East (10 percent). Soybean production dropped by 9 percent, largely because of a fall of 19 percent in the United States, the world's major producer. Soybean prices have therefore begun to rise again. Although fishing has been resumed in the Peruvian anchovy fishery, fish meal production remains sharply reduced and prices high. Thus the general shortage not only of grains but also of other concentrates for livestock feeding continues. World sugar production increased by about 2 percent in 1974 but fell by 2 1/2 percent in developed countries. Prices have continued to rise steeply and by September were more than twice as high as in January 1974 and mote than four times as high as in January 1972.

9. In the developed countries as a whole, total food production in 1974 is estimated at about the same level as last year. A decline of 4 to 5 percent in North America and a possible slight fall in eastern Europe and the U.S.S.R. were roughly balanced by increases in western Europe and Oceania. In the developing countries, for which the data are even more tentative, there may have been a slight rise in total food production in 1974, but it was certainly less than the growth of population. In Latin America the increase of 3 to 4 percent would, if confirmed, be the largest since 1969. There were somewhat larger increases in Africa and the Near East, the two regions where food production has declined in 1973. In the Near East this recovery probably took production above the very high record level of 1972, but in Africa production in 1974 is only 3 or 4 percent more than in 1970. Moreover in the heavily populated Far East there was a serious drop in food production in 1974, tentatively estimated at 2 to 3 percent. This fall is comparable with that which took place in 1972, and implies a level of production only 3 to 4 percent more than in 1970. Food production in China probably increased by 1 or 2 percent in 1974. Per head of the population, food production in the developing countries as a whole remains less than in 1970, and in Africa and the Far East very substantially so.

Stocks and prices

10. As world cereal production in 1974 is expected to fall below that of 1973, world stocks are likely to be drawn down further during the 1974/75 season (see Table 2). A reduction in stocks is likely to occur in both exporting and importing countries. A few individual countries may succeed in partly replenishing depleted stocks, particularly where a recovery in rice production is in prospect. Even so, aggregate cereal stocks at the beginning of the 1975/76 season are likely to be even smaller than they were in 1974/75, and thus historically very low relative to world consumption levels.

11. With the disappointing harvests of 1974, grain prices have started to rise again (Table 3). Export prices for wheat and maize are now almost three times as high as in mid-1972. Rice prices, although declining, are still almost four times as high as two years ago. Ocean freight rates are much higher. The high prices, combined with the very limited availability of food aid, continue to aggravate the balance of payments problems of the many developing countries requiring large imports of cereals

and fertilizers for which prices are also high. The rapid inflation of retail food prices brings hardship to the poorer consumers in all regions, although non-food items have recently taken the lead in price increases in most countries. The tight world grain situation makes imperative the orderly management of the available supplies, in order to ensure that grain is set aside against urgent needs that will arise in a number of developing countries during the period up to July-October 1975 when the next main crops in the northern hemisphere will become available. The major part of the available export supplies are already committed for export, and all the major exporting countries are now managing the flow of supplies. The Director-General of FAO has proposed that they should take concerted action to deal with this problem and has also called for special measures such as deferred payments and other concessional terms. Some of the 1974/75 needs are still not fully known: for example, in India, where the immediate situation is extremely difficult, much still depends on the results of the winter crops, the results of which will not be known until next April. Contingency measures already under way include the United Nations Emergency Operation and the International Fertilizer Supply Scheme, both of which, however, are still very short of resources.

Outlook

12. Grain supplies for 1975/76, in view of the depleted stocks, will be entirely dependent on the outcome of the 1975 harvests. Many governments are encouraging an all-out production expansion, but the response of farmers may again be limited by high production costs and shortages of fertilizers and other inputs. Individual farmers in many regions have also been increasingly affected by the general inflationary conditions and by the cost/price squeeze in the livestock sector. There has been no easing in the physical shortage of fertilizer, but prices may be reaching a peak as demand is discouraged by their present very high level. Some important pesticides are also likely to be in short supply during 1975. Moreover - as the last season has dramatically shown - the actual harvests next year will be heavily dependent on the vagaries of the weather. On the demand side, world demand for grains as human food is likely to continue increasing, while the short-term outlook for demand for animal feedstuffs is very uncertain in view of the precarious state of the livestock industry.

13. To sum up, world production of cereals in 1974/75 will probably be once again below requirements, for the third successive year. There are virtually no reserves left in exporting countries and, despite the all-out efforts to expand production in 1974, no likelihood of stocks being replenished until 1976 at the earliest. There is no assurance that the developing countries will be able to finance their increased food import bills. Food aid remains low; indeed, unless budget allocations are increased to offset fully the higher costs, the volume of food aid may even dwindle still further. The world food situation will remain precarious until a much higher and sustained rate of increase in food production is attained in the developing countries and cereal stocks are rebuilt to safer levels.

TABLE 1. - REVISED ESTIMATES OF CEREALS PRODUCTION IN 1973 AND 1974

Regions	Wheat		Coarse Grains		Rice (Milled)		Total Cereals	
	1973	1974 prov. estimate	1973	1974 prov. estimate	1973	1974 prov. estimate	1973	1974 prov. estimate
	. . . . million metric tons							
Western Europe	56	61	93	93	1	1	150	155
Eastern Europe	27	26	46	47	0	0	73	73
U.S.S.R.	110	90-95	100	95-100	1	1	211	186-196
North America	63	62	207	171	3	4	273	237
Latin America	12	15	53	56	8	8	73	79
Asia	89	90	128	130	199	1/193	416	413
Africa	8	9	37	47	3	3	48	59
Oceania	12	11	5	5	0	0	17	16
WORLD	377	364-369	669	644-649	215	210	1 261	1 281-1 228
Developed Countries	133	137	310	281	14	15	457	432
Developing Countries	72	75	136	141	124	118	332	335
Centrally planned countries	172	152-157	223	222-227	77	77	472	451-461

1/ Estimated on early crop conditions and on the assumption of no change in Chinese output (33 % of world output).

TABLE 2 - GRAINS - ESTIMATED SUPPLIES, TRADE, UTILIZATION AND CARRYOVER STOCKS IN MAJOR EXPORTING COUNTRIES IN 1974/75

	1971/72	1972/73	1973/74 (provisional)	1974/75 (estimated)
	....	.... million	tons	....
WHEAT				
Total five exporting countries 1/				
Opening stocks	50	49	3/ 27	24
Production	113	112	123	123
Imports	7	7	5	6
Total supply	170	168	155	153
Domestic use	75	77	73	72-74
Exports	46	62	58	59
Closing stocks	49	29	3/ 24	22-20
COARSE GRAINS				
Total five exporting countries 2/				
Opening stocks	38	54	39	26
Production	245	227	233	205
Imports	1	1	1	1
Total supply	284	282	273	232
Domestic use	185	191	194	(211
Exports	45	52	53	(
Closing stocks	54	39	26	21

1/ Argentina, Australia, Canada, EEC, United States.
2/ Argentina, Australia, Canada, South Africa, United States.
3/ Beginning 1973/74, for EEC Commercial stocks only.

TABLE 3.- RECENT CEREAL PRICES

	28 Oct. 1974		Month ago		Year ago	
	US$/ bush	US$/ ton	US$/ bush	US$/ ton	US$/ bush	US$/ ton
<u>Chicago Futures</u>						
Wheat (December)	5.11	188	4.79	176	4.26	157
Maize (December)	3.64	143	3.78	149	2.35	93
Soybeans (November)	7.60	279	8.58	315	[1] 5.62	206
	10 Oct. 1974		12 Sept. 1974		5 March 1973	
			US$/ton			
<u>Export Price</u>						
Rice - Thai 5% f.o.b. Bangkok	505		520		205	

1/ Average for October 1973 for nearest forward shipments.