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ANNUAL MONITORING OF THE FOLLOW-UP TO THE MARRAKESH MINISTERIAL DECISION

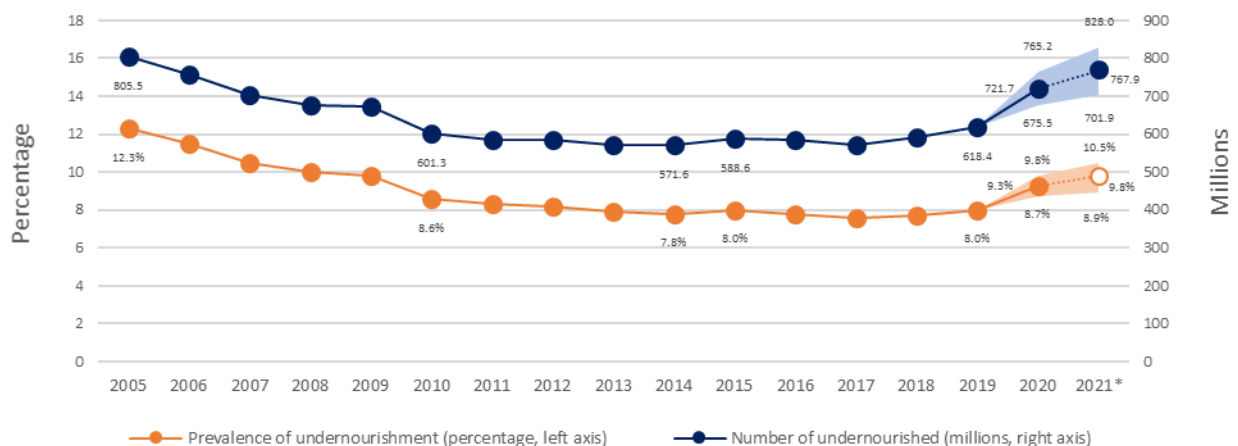
Submission by FAO

The following submission, dated 14 November 2022, is being circulated at the request of the Food and Agriculture Organization (FAO).

1 BACKGROUND

1.1. According to the latest "State of Food Security and Nutrition in the World 2022" (SOFI), the number of people affected by chronic hunger globally rose to as many as 828 million in 2021, an increase of about 46 million since 2020, and 150 million since the outbreak of the COVID-19. The prevalence of undernourishment jumped from 8.0% to 9.3% from 2019 to 2020 and rose at a slower pace in 2021 to 9.8% (Figure 1). Considering the regional patterns, Africa bears the heaviest burden, with one in five people (20.2% of the population) facing chronic hunger in 2021, compared to 9.1% in Asia, 8.6% in Latin America and the Caribbean, 5.8% in Oceania, and less than 2.5% in Northern America and Europe.¹

Figure 1. Prevalence of Undernourishment and Number of Undernourished



Notes: * Projected values for 2021 are illustrated by dotted lines. Shaded areas show lower and upper bounds of the estimated range.

Source: FAO, IFAD, UNICEF, WFP and WHO. 2022. *The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable*. Rome, FAO. <https://doi.org/10.4060/cc0639en>.

¹ FAO, IFAD, UNICEF, WFP and WHO. 2022. *The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable*. Rome, FAO. <https://doi.org/10.4060/cc0639en>.

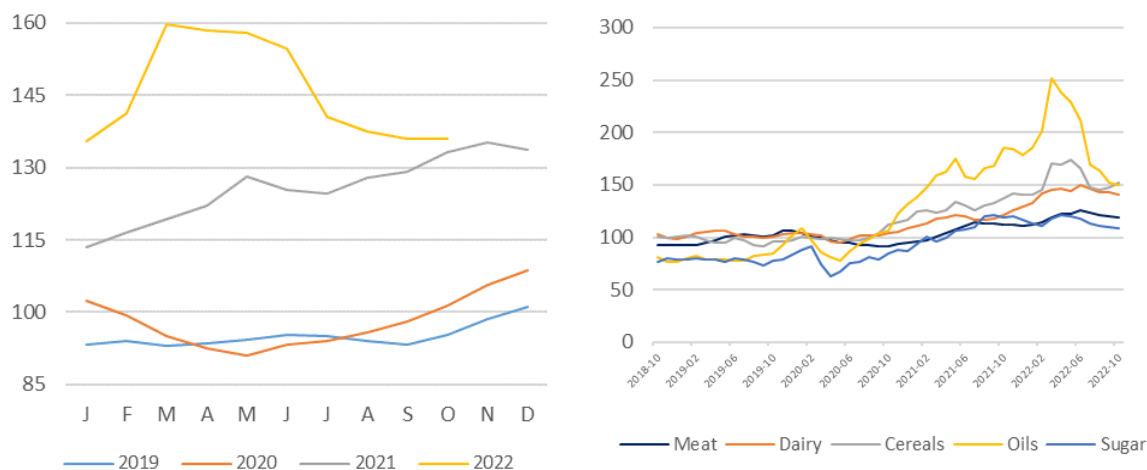
1.2. Moreover, according to the recently published *Hunger Hotspot report*,² during the outlook period from October 2022 to January 2023, acute food insecurity is likely to deteriorate further in 24 hotspot countries. Of these, 21 are Net Food-Importing Developing Countries (NFIDCs). Afghanistan, Ethiopia, Nigeria, South Sudan, Somalia and Yemen are the countries at the highest alert level, as they all have populations that are facing or projected to face starvation or at risk of deterioration towards catastrophic conditions. According to the report, organized violence and armed conflict remain the primary driver of acute food insecurity, followed by economic shocks, weather extremes and climate variability, and animal and plant pests and diseases.

2 FOOD: GLOBAL AND DOMESTIC DEVELOPMENTS

2.1 Global food prices

2.1. Fueling the 2021 hunger numbers, food prices increased in the past year due to bottlenecks in supply chains, soaring energy and transport costs, poor weather in several major producing countries and other disruptions caused by the COVID-19 pandemic.³ The war in Ukraine further exacerbated the situation and pushed prices in early 2022 further up, with the FAO Food Price Index reaching a record high in March 2022. This peak was followed by successive months of reductions in global food prices (left graph in Figure 2). In October 2022, the Food Price Index averaged 135.9 point, virtually unchanged from September, with the price indices of all the covered commodity groups, except cereals, down month-on-month. An upturn in the Cereal Price Index countered drops in the indices for vegetable oils, dairy, meat and sugar. With this latest update, the Food Price Index dropped 23.8 points (14.9%) from its peak in March this year. Nonetheless, the index remained 2.7 points (2.0%) above its value in the corresponding month last year.⁴ Furthermore, markets have been very volatile, with the prices of many staple commodities reaching record or near-record highs. One factor in the high volatility has been the low level of stocks held by the major exporting countries. The other factor that could be at play is the increasing geopolitical tensions and the associated risks.

Figure 2. FAO Food Price Index (left) and Price Indices for individual commodities (right)



Source: FAO. 2022. *Food Price Index*. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

² WFP and FAO. 2022. *Hunger Hotspots. FAO-WFP early warnings on acute food insecurity: October 2022 to January 2023 Outlook*. Rome.

³ FAO, IFAD, UNICEF, WFP and WHO. 2022. *The State of Food Security and Nutrition in the World 2022. Repurposing food and agricultural policies to make healthy diets more affordable*. Rome, FAO. <https://doi.org/10.4060/cc0639en>

⁴ FAO. 2022. *Food Price Index*. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

2.2. The rise in the FAO Food Price Index reflects higher world prices of individual commodities, which, in parallel to the price index, have declined over the course of the past months while mostly remaining elevated. Regarding sub-indices for individual commodity groups (right graph in Figure 2), the **FAO Cereal Price Index** averaged 152.3 points in October, 15.2 points (11.1%) above its value a year ago. International prices of all major cereals, including wheat, maize and rice, increased in October. The **FAO Vegetable Oil Price Index** averaged 150.1 points in October, standing nearly 20% below its year-earlier level. The continued decrease of the index was driven by world lower prices of palm, soy and rapeseed oils, which more than offset higher sunflower seed oil quotations. The **FAO Dairy Price Index** averaged 140.1 points in October, nevertheless remaining 18.7 points (15.4%) above its value a year ago. In October, international prices of all dairy products covered by the index fell. The **FAO Meat Price Index** averaged 118.4 points in October, remaining 6.4 points (5.8%) above its value a year ago. The **FAO Sugar Price Index** averaged 109 points in October, down 10.1 points (8.5%) from its value in the corresponding month last year.⁵

2.2 Trends in domestic food prices

2.3. According to FAO's most recent analysis, domestic staple food prices in October remained at higher levels year-on-year in most monitored countries, though, compared to the previous month, prices softened in areas where harvests were recently concluded or ongoing. The underlying drivers of the higher year-on-year domestic food prices continue to include, among others, higher world prices, reduced domestic supplies of some commodities, national macroeconomic difficulties, currency depreciations, adverse weather conditions, insecurity as well as near-record to record high energy and fertilizer prices.⁶

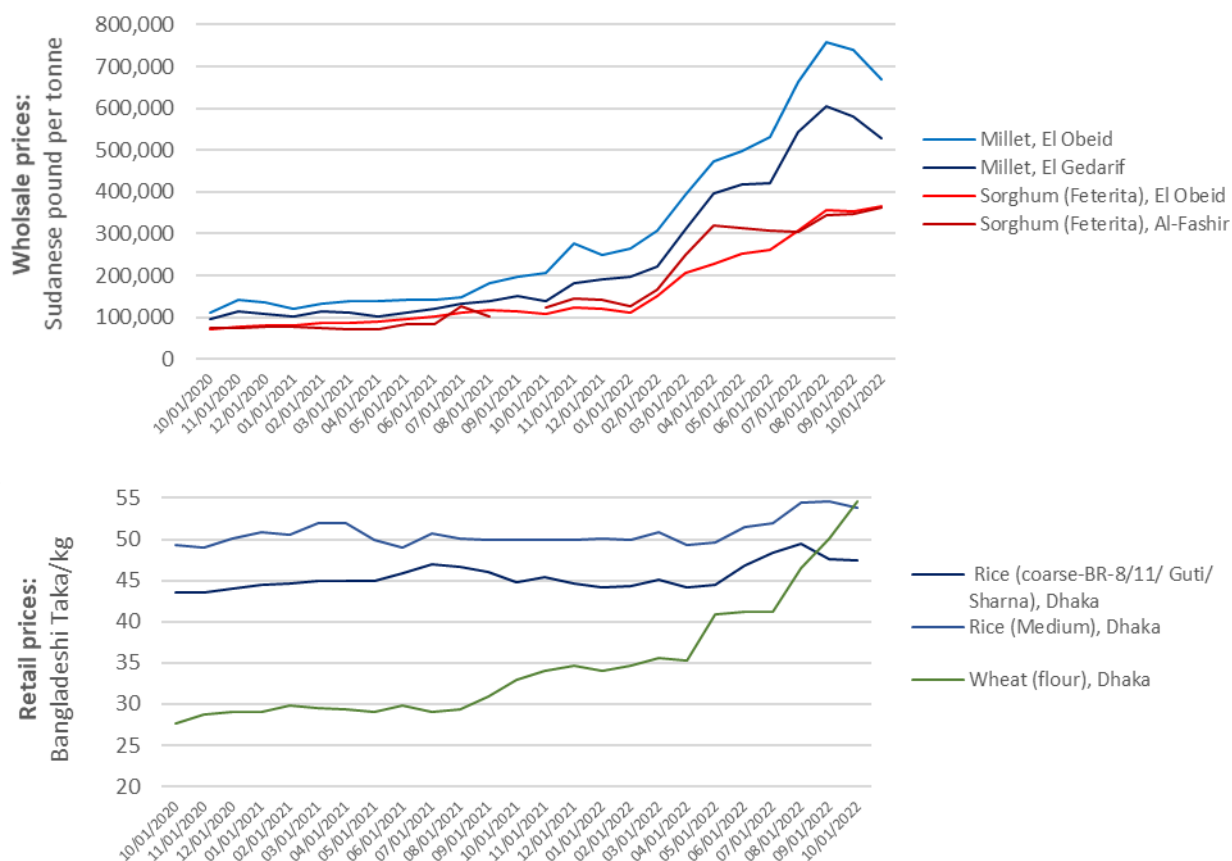
2.4. Regarding **sub-Saharan Africa**, prices of coarse grains followed mixed trends in October and remained well above their year-earlier levels in most countries, while in Southern Africa cereal prices continued to rise but at a lower pace. In East Africa, prices of coarse grains are generally declining, but remain at exceptionally high levels in South Sudan, the Sudan and Somalia, where famine is projected in late 2022 in the absence of an immediate scaling up of humanitarian assistance. In these countries, prices remain underpinned by insufficient supplies and severe macroeconomic difficulties, including currency weakness. Prices were also significantly higher year-on-year in Ethiopia, mainly as a result of macroeconomic difficulties and localized trade disruptions from insecurity. Across the subregion, the upward pressure on prices continues to be exacerbated by the impact of the war in Ukraine on international food, fuel and fertilizer markets.

2.5. Among the **Far East Asia** domestic prices of rice and wheat showed mixed trends in October, while remaining at high levels in most countries. In Bangladesh, significant price increases were registered for wheat grain and flour, where October quotations reached record levels and were almost 80% above their year-earlier levels, due to a slowdown in imports and elevated transportation costs.

2.6. As for **Central America and the Caribbean** prices of red beans rose sharply in October in El Salvador and Honduras with the main crops affected by unfavourable weather conditions. The passage of Tropical Storm Julia affected the main season crops of red beans at germination stage in early October and exerted strong upward pressure on prices in El Salvador and Honduras. In Honduras, prices of red beans rose more than 30% month-on-month, while they increased by 10% in El Salvador. In the Caribbean, prices of domestically produced maize meal and black beans rose in September in most markets of Haiti, as seasonal downward pressure was more than offset by the below-average main crop output. Sharp price increases were registered in the capital, Port-au-Prince, where the blockage of a main port of fuel entry caused fuel shortages.

⁵ FAO. 2022. *Food Price Index*. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

⁶ FAO. 2022. *FPMA Bulletin: Monthly Report on Food Price Trends* (11 November 2022). <https://www.fao.org/3/cc2905en/cc2905en.pdf>

Figure 3. Domestic price developments in the Sudan (top) and Bangladesh (bottom).

Source: FAO. 2022. *FPMA Bulletin: Monthly Report on Food Price Trends* (11 November 2022). <https://www.fao.org/3/cc2905en/cc2905en.pdf>

3 CEREAL SUPPLY AND DEMAND

Production

3.1. According to the latest FAO estimates, world cereal production in 2022 is pegged at 2,764 million tonnes, down 1.8% (50.8 million tonnes) year-on-year. Global wheat production is forecast at 783.8 million tonnes in 2022, 0.6% (4.5 million tonnes) above the 2021 outturn and an all-time high. Global coarse grain production forecast for 2022 stands at 1 467 million tonnes, 2.8% lower on a yearly basis, marking the first production downturn in four years. In Ukraine, where the maize harvest is underway, the production forecast has been raised recently compared to earlier estimates, underpinned by expectations of a larger harvested area, as the country's exports from the Black Sea ports has partially eased storage constraints. As for rice, world production in 2022/23 is forecast at 512.6 million tonnes (milled basis), 2.4% below the 2021 all-time peak, but still an overall average crop.

Utilization

3.2. At 2 778 million tonnes, world cereal utilization in 2022/23 is forecast to decline by 0.7% from the 2021/22 level. The global coarse grain utilization forecast for 2022/23 stands at 1 485 million tonnes, down 1.2% from 2021/22, representing the first fall in over a decade. Meanwhile, global total wheat utilization is forecast to rise marginally in 2022/23, by 0.3%, to 775 million tonnes, with growth in food consumption and other uses seen offsetting a likely fall in feed use. Global utilization of rice in 2022/23 is pegged at 518.3 million tonnes, down 0.7% year-on-year due to expected contractions in feed and industrial uses.

Stocks

3.3. World cereal stocks are forecast to contract by 2.0% below opening levels by the end of seasons in 2023, to 841 million tonnes. World cereals stocks-to-use ratio is foreseen to decline from 30.9% in 2021/22 to 29.4% in 2022/23, indicating a relatively comfortable supply situation from a historical perspective. Global wheat stocks are forecast to rise by 2.0% above their opening levels, while global stocks of coarse grains, now forecast at 347 million tonnes, are seen falling by 5.3% below their opening levels to reach their lowest level since 2013/14. FAO's forecast for world rice stocks at the end of the 2022/23 marketing years stands at 193.4 million tonnes, down 1.8% from their record opening levels.

Trade

3.4. Forecast at 469 million tonnes, world trade in cereals in 2022/23 is predicted to register a 2.2% contraction from the 2021/22 level. Based on a stronger shipment pace until late October under the Black Sea Grain Initiative, expected higher wheat export prospects for Ukraine have lifted the global wheat trade forecast for 2022/23 (July/June) by 1.9 million tonnes in October. Nevertheless, now pegged at 194 million tonnes, FAO's global wheat trade forecast points to a 1.0% decline from the 2021/22 level. Global trade in coarse grains is also forecast to decline in 2022/23 (July/June) by 3.4%, mostly reflecting contractions in global barley and sorghum trade, while maize trade is seen falling only marginally. After three successive years of expansion, international trade in rice could subside by 1.6% in 2023 (January-December) to 52.9 million tonnes. With the exception of the Americas and Oceania, most regions are expected to import less rice year-on-year. However, the largest retreat in absolute terms could concern imports by Asian countries.

Table 1. Global cereal market at a glance

	2018/19	2019/20	2020/21	2021/22	2022/23 (forecast)
Production (mln tonnes)	2,644.1	2,713.6	2,776.6	2,814.3	2,763.5
Utilization (mln tonnes)	2,686.3	2,710.8	2,758.6	2,798.1	2,778.3
Trade (mln tonnes)	441.6	439.1	479.9	467.2	468.9
World stocks-to-use ratio %	30.7	30.0	29.9	30.9	29.4

Source: FAO (2022).

4 CROP PROSPECTS AND FOOD SITUATION IN LOW-INCOME FOOD -DEFICIT COUNTRIES (LIFDCS)⁷

4.1. FAO assesses that globally 45 countries, including 33 in Africa, nine in Asia, two in Latin America and the Caribbean and one in Europe, are in need of external assistance for food. In East Africa, the food insecurity situation is grave and unless humanitarian assistance is scaled up.

4.2. According to the latest estimates from FAO's Crop Prospects and Food Situation report (September 2022),⁸ aggregate cereal production among LIFDCs is forecast to be moderately below the outturn of 2021. The expected result mostly reflects reduced harvests in the LIFDCs of the East Africa and Near East subregions.

⁷ The inclusion of a country in the low-income food-deficit countries (LIFDCs) group is based on three criteria: 1) the level of the annual per capita Gross National Income (GNI); 2) the net food trade position; and 3) self-exclusion (when countries that meet the first two criteria request to be excluded from the category).

For full details see: www.fao.org/countryprofiles/lifdc.

⁸ FAO. 2022. Crop Prospects and Food Situation – Quarterly Global Report No. 3, September 2022. Rome. <https://doi.org/10.4060/cc2300en>.

4.3. In **East Africa**, the downturn is largely on account of the effects of multi-season drought conditions, particularly affecting parts of Ethiopia, Kenya and Somalia. The substantial rainfall deficits resulted in widespread crop wilting and the aggregate cereal production in East African LIFDCs is forecast to decrease by 3% in 2022 compared to the five-year average. In the **Near East**, in Afghanistan and the Syrian Arab Republic, the low harvest was caused by an erratic distribution of seasonal rains and persisting difficult economic conditions that have constrained farmers' ability to access sufficient agricultural inputs.

5 IMPORT BILLS OF NFIDCS FOR FOOD AND AGRICULTURAL INPUTS

5.1 Food import bills of NFIDCs

5.1. Globally, the food import bill is set to increase at a slower pace in 2022, nevertheless reaching another record level, surpassing USD 1.9 trillion. While this represents another increase by 10%, or USD 180 billion, over last year's record level, the expansion is foreseen to slow significantly compared to the 18% increase registered in 2021 relative to 2020. The anticipated increase in the 2022 import bill is almost entirely on account of higher prices with higher import bills mainly reflecting higher unit costs rather than higher volumes. Many regions or country groups are therefore set to face higher bills in return for lower or the same volumes and this development is much more pronounced for some economically vulnerable country groups.

5.2. For the group of NFIDCs, the total food import bill in 2022 is forecast to increase by USD 21.7 billion from 2021 to USD 148.1 billion, with merely USD 4 billion of extra imported food volumes, while the bulk of the rise is due to higher prices.⁹ This is putting increased fiscal pressure on the budget of these countries and balance-of-payment problems.

5.2 Global fertilizer prices and agricultural input import bills of NFIDCs

5.3. In parallel to the rising prices of food, world prices of key agricultural inputs have soared since 2021. Agriculture is a highly energy-intensive sector and depends largely on fossil fuels. Much of today's turmoil dates to 2021, when energy prices began to surge, adding to production costs. But higher energy prices have far more deleterious effects, raising the cost of key nitrogen fertilizers, which are primarily manufactured from natural gas and are by far the most important agricultural input for raising crop yields. Prices of nitrogen, N, in the form of urea or ammonium nitrate, reached record highs by the end of 2021. This price momentum carried into 2022, and the international prices of other important mineral fertilizers, such as phosphate, P, and potash, K, have joined suit, reaching multi-year highs in April 2022. Price peaks for nitrogen (urea) and phosphate (P, DAP) were followed by substantial reductions of international prices from May to October 2022, while global prices for potash, K, remained at the level of April 2022.¹⁰

5.4. In line with higher international prices of most agricultural inputs, the world agricultural input import bill is forecast to reach a new record high of USD 424 billion in 2022, representing a leap of 48% or USD 138 billion over the total reached in 2021. Relative to 2020, the 2022 agricultural input import bill is projected to rise by as much as 112%, albeit from a depressed level of USD 200 billion.

5.5. For NFIDCs, the total agricultural input bill is forecast to increase from USD 30.9 billion in 2021 to USD 43.9 billion in 2022, representing an increase of around 42%, driven mostly by higher bills for imported energy, and, to a lesser degree, fertilizers.¹¹

⁹ FAO. 2022. *Food Outlook – Biannual Report on Global Food Markets*. Food Outlook, November 2022. Rome.

¹⁰ World Bank Commodity Markets (<https://www.worldbank.org/en/research/commodity-markets>), accessed 9 November 2022. Urea (Ukraine), prill spot f.o.b. Middle East, beginning March 2022; previously, f.o.b. Black Sea; DAP (diammonium phosphate), spot, f.o.b. US Gulf; Potassium chloride (muriate of potash), f.o.b. Vancouver.

¹¹ FAO. 2022. *Food Outlook – Biannual Report on Global Food Markets*. Food Outlook, November 2022. Rome.

5.6. As part of response to the ramifications from the war in Ukraine, FAO has developed several policy tools, for example to facilitate the distribution of limited fertilizer volumes to priority countries in need. One of these tools is the fertilizer "neediness" indicator, providing a cross-country comparison of how much African countries are in need of fertilizers. The index shows that several African NFIDCs are highly in need of fertilizers, with some countries that are already highly distressed scoring high on the index (e.g., Somalia, Ethiopia and South Sudan).¹²

6 POLICY RECOMMENDATIONS AND FAO'S ROLE

6.1. In light of the persistently high world food, fuel and fertilizer prices, increasing financial constraints, and soaring food import bills, significant challenges remain for food security and livelihoods in LDCs and NFIDCs. In 2022, FAO has continued to scale up its humanitarian and resilience programming and aims to exceed the 30 million people reached in 2021 with urgently needed, life-saving and cost-effective agricultural assistance. FAO advocates for placing investments in agriculture at the core of humanitarian response to the global food crisis. These should go hand in hand with measures to ensure that world agricultural markets continue to function properly as a reliable source of food and crucial agricultural inputs at country level. These include:

6.2. **Keeping food, feed and fertilizer markets open, in line with WTO 12th Ministerial Declaration on Emergency Response for Food Insecurity.** Countries should refrain from imposing new export restrictions and, to the extent possible, withdraw any remaining export restrictions on food and fertilizers, in conformity with relevant WTO disciplines. FAO continues to support its Members in the area of trade and trade agreements through analysis and evidence building, fostering capacity development, and facilitating neutral and impartial dialogue on important policy subjects.

6.3. Trade facilitation measures also need to be stepped up to improve access to, and affordability of, food and agricultural inputs. Continued commitment to implementing the WTO Trade Facilitation Agreement and to digitalizing trade procedures, for example by adopting the ePhyto Solution developed by FAO that enables exchange of electronic phytosanitary certificates, have demonstrated benefits in cutting costs, saving time and facilitating movement of goods, and improving transparency and trust within supply chains.

6.4. **Information to enhance food market and policy transparency.** Increasing market transparency by providing critical timely and objective data and information is crucial in reducing uncertainty and disruptions to global agrifood trade. As the host of the Agricultural Market Information System (AMIS), FAO, jointly with other nine international organizations including the WTO, advanced and expanded its contribution to enhancing the transparency in global commodity markets by providing regular and timely updates on crop conditions, global supply and demand situations, price trends and policy developments. FAO also has a market intelligence service that provides up-to-date and comprehensive market information and assessment for the major food commodities, through regular and frequent publication of reports. Furthermore, FAO's Global Information and Early Warning System on Food and Agriculture (GIEWS) conducts regular market situation and food security assessments and issues alerts and warnings on impending food crises to national and international decision makers, with the objective to guide timely and proper interventions and reinforce resilience to shocks.

¹² FAO. 2022. *Fertilizer Allocation for Africa*. <https://www.fao.org/3/cc2803en/cc2803en.pdf>.

6.5. Focus on identifying the needs of LDCs and NFIDCs to enhance their capacities to respond to acute food crises. FAO's efforts in this area include:

- **Food Import Financing Facility (FIFF)** to support countries to shoulder the soaring costs of food imports and improve access to food at country level. Based on a comprehensive technical assessment, the FIFF covers 62 countries with a total population of 1.78 billion people. FAO welcomes the adoption by the International Monetary Fund (IMF) of a new Food Shock Window to provide access to emergency financing for countries facing balance-of-payment problems related to the global food crisis. FAO stands ready to provide all the needed technical support for the implementation of the Food Shock Window as well as other financial instruments to help LDCs and NFIDCs to be able to ensure sufficient supplies of food for their populations.
- **Fertilizer assessments and policy responses.** FAO developed a Fertilizer Trade Tracker, an online tool that allows countries to gauge remaining import needs and/or unrealized export availabilities for the current crop and calendar year. To inform, support and prioritise international initiatives that aim to ensure that African countries are able to access international fertilizer markets, FAO has developed a "neediness index" based on a number of criteria that shape the ability to purchase fertilizer at market conditions, including a country's balance-of-payment situation and the severity of food insecurity. Furthermore, FAO and WTO have produced a joint report on fertilizers for the G20 Leaders, calling for action in a number of policy areas to avoid a global food availability crisis¹³.

6.6. Increasing productivity and lowering trade costs. Programmes that promote productivity and infrastructure improvements are urgently needed in order to boost resilience of agrifood systems and safeguard food security in LDCs and NFIDCs. This requires boosting public investments in research and development (R&D), enhancing the transfer of technology and innovation, and promoting access to high quality inputs (seeds, fertilizers and machinery) as well as to finances. Advancements in Information and Communication Technologies (ICTs) in agriculture can play a pivotal role in the necessary transformation of agrifood systems to become more efficient, inclusive, resilient and sustainable. They can increase transparency and traceability in markets and value chains, improve agricultural productivity and crop yields, and reduce the use of inputs. FAO also supports countries in developing programmes, strategies and approaches to facilitate greater integration of small-scale actors into markets and value chains, undertakes activities to analyse and increase the resilience of agricultural supply chains, and supports the development of responsible agricultural value chains.

¹³ FAO and WTO. 2022. *Global Fertilizer Markets and Policies: A joint FAO/WTO Mapping Exercise*. <https://www.fao.org/3/cc2945en/cc2945en.pdf>.