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WORK PROGRAMME PURSUANT TO PARAGRAPH 8 OF THE MINISTERIAL DECLARATION ON EMERGENCY RESPONSE TO FOOD INSECURITY

Submission by FAO

The following submission, dated 17 March 2023, is being circulated at the request of the Food and Agriculture Organization of the United Nations (FAO).

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1 GLOBAL FOOD SECURITY SITUATION

1.1. The latest edition of "The State of Food Security and Nutrition in the World (SOFI)" report, released in July 2022, estimates that the number of people affected by chronic hunger globally rose to as many as 828 million in 2021, up 150 million people since the outbreak of the COVID-19 pandemic and 46 million more people since 2020. After remaining relatively unchanged since 2015, the prevalence of undernourishment in the world jumped from 8.0 to 9.3% in 2020, and rose further in 2021, though at a slower pace, to 9.8%.

1.2. Hunger continued to rise in most of Africa, Asia and Latin America and the Caribbean regions in 2021, but at a slower pace with respect to the previous year. Compared to 2019, the largest increase was registered in Africa, both in terms of number and proportion of undernourished people. Looking ahead, projections suggest that globally nearly 670 million people would still be undernourished in 2030, 78 million more than in a scenario under which the pandemic had not occurred.

1.3. The report also shows that around 2.3 billion people in the world (29.3%) were moderately or severely food insecure in 2021 – 350 million more compared to before the outbreak of the COVID-19 pandemic, and 11.7% of the world population faced food insecurity at severe levels. Finally, the report also estimates that 3.1 billion people globally could not afford a healthy diet in 2020, an increase of 112 million more people than in 2019, due to higher costs.

1.4. Moreover, according to the "Global Report on Food Crisis 2022 Mid-Year Update" and the "Hunger Hotspots" reports, both published in September 2022, acute food insecurity continued to escalate as well. Up to 222 million people were projected to face acute food insecurity and to be in need of urgent assistance in 53 countries and territories (IPC/CH Phase 3 or above or equivalent). Among those, around 45 million people in 37 countries were projected to have so little to eat that they would be severely malnourished, at risk of death, or already facing starvation and death (IPC/CH Phase 4 and above).

2 DRIVERS OF FOOD INSECURITY

2.1. Conflicts and geopolitical tensions, extreme and more frequent climatic events, economic slowdowns and downturns – in particular as a result of the COVID-19 pandemic – and increasing inequalities are the main drivers of hunger and malnutrition in the world. These factors, often occurring in combination, challenge the quantity and quality of the food that people can access,

while making the fiscal situation in many countries more challenging for governments trying to mitigate the effects of these drivers.

2.2. Against this background, the war in Ukraine, engaging two major agricultural commodity market players, has aggravated the trajectory of food security globally. The Russian Federation and Ukraine are both net exporters of agricultural products and play leading supply roles in global markets of foodstuffs and fertilizers, where exportable supplies are often highly concentrated. The war is having impacts on world agrifood markets through the channels of trade, production, prices and energy, casting a shadow over the state of global food security and nutrition.

3 GLOBAL CEREAL SUPPLY AND DEMAND

3.1. FAO's latest forecast for world cereal **production** in 2022 stands at 2,774 million tonnes, 1.3% lower year-on-year. Concerning **utilization**, the forecast for cereal is at 2,780 million tonnes, pointing to a decline of 0.6% below the 2021/22 level. Global cereal **stocks** ending in 2023 are forecast to decline by 1.2% from their opening levels, down to 844 million tonnes, driven by expected drawdowns of global coarse grain and rice stocks that outweigh a rise in wheat stocks. Global coarse grain stocks are forecast at 344 million tonnes, pointing to a decline of 5.5% below their opening levels almost exclusively attributed to an 8.3% fall in global maize stocks. FAO's forecast of world rice stocks at the close of 2022/23 marketing years is pegged at 194 million tonnes. Global wheat inventories are forecast at 306 million tonnes, up 4.1% from their opening levels. Based on the latest forecasts, the world cereal stocks-to-use ratio in 2022/23 would stand at 29.5%, down from 30.7% in 2021/22. Finally, world **trade** in cereals in 2022/23 is forecast to contract by 1.8% from the 2021/22 level to 473 million tonnes. Pegged at 223 million tonnes, the forecast for world trade in coarse grains in 2022/23 (July/June) points to a 3.3-percent decline from the 2021/22 level, driven by expected declines in global barley and sorghum trade, while global maize trade is seen remaining near its 2021/22 level. International trade in rice in 2023 (January-December) is forecast at 53 million tonnes, 5.6% below the 2022 peak. By contrast to coarse grains and rice, world wheat trade in 2022/23 (July/June) is set to increase by 1.1% above the 2021/22 level, to 198 million tonnes.

Table 1. Global cereal markets at a glance

	2018/19	2019/20	2020/21	2021/22	2022/23 (forecast)
Production (million tonnes)	2,644.9	2,713.7	2,776.8	2,811.0	2,773.8
Utilization (million tonnes)	2,685.8	2,710.6	2,759.6	2,797.9	2,780.0
Trade (million tonnes)	441.9	439.5	480.5	482.1	473.3
World stocks-to-use ratio %	30.7	30.0	29.9	30.7	29.5

Source: FAO. 2023. FAO Cereal Supply and Demand Brief (released on 3 March 2023).

4 CROP PROSPECTS IN LOW-INCOME FOOD -DEFICIT COUNTRIES (LIFDCS)[1]

4.1. FAO assesses that 45 countries, 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. Moreover, according to the latest edition of *FAO's Crop Prospects and Food Situation* report (March 2023),[2] unfavourable weather, conflicts, worsening socioeconomic conditions and elevated world fertilizer prices have lowered cereal production prospects for 2023 in LIFDCs, particularly in East Africa and Far Near East.

4.2. In **East Africa**, there is a concrete risk of an unprecedented sixth successive poor rainy season in the March–May period. If this weather forecast materializes, it will have significant and adverse consequences on what is already a dire food security situation. In addition, notwithstanding some improvement in security conditions in the conflict-affected areas of South Sudan as well as in the

[1] 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.

[2] FAO. 2023. *Crop Prospects and Food Situation* – Quarterly Global Report No. 1, March 2023. Rome. https://doi.org/10.4060/cc4665en.

Tigray and Amhara regions of Ethiopia, the situation still remains volatile, undermining the capability of farmers to adequately engage in agricultural activities.

4.3. In **Southern Africa**, prospects for 2023 cereal production are mixed. Although adverse weather conditions have had a negative impact on southern parts of Malawi and Zimbabwe, crop conditions in the main producing areas of both countries appear satisfactory and near-average cereal harvests are foreseen in 2023. In Madagascar and Mozambique, rainfall shortages since the start of the season in northern parts and the impact of cyclone Freddy that traversed southern areas have dampened overall production expectations.

4.4. In **West Africa**, sowing of the 2023 cereal crops will begin in March. Weather forecasts point to a high probability of above-average rainfall amounts in the next months, with likely beneficial impact on the development of the 2023 crops. However, persisting conflicts in several countries are expected to continue to hinder farmers' access to inputs and fields.

4.5. In **Near East Asian** countries, following an erratic temporal distribution of rainfall and below-average amounts, sustained rains are needed in coming months to shore up production prospects of the 2023 cereal crops. Furthermore, continuing difficult socioeconomic circumstances in Afghanistan and the Syrian Arab Republic are constraining farmers' capacity to access sufficient inputs.

5 RISKS FOR GLOBAL FOOD SECURITY

5.1 Economic growth and exchange rates

5.1. The hopes for a steady economic recovery in 2022 were hampered by a tide of disruptions linked to the war in Ukraine, tightening of monetary policy to fight surging inflation, and a deterioration of financial and currency markets. According to the World Bank, global growth has fallen from 5.9% in 2021, to 2.9 in 2022 and is projected to stagnate at 1.7% in 2023,[3] down from a previous estimate of 4%. High levels of uncertainty continue to increase the risk on the global economy in the coming months. In its January 2023 World Economic Outlook,[4] the International Monetary Fund (IMF) indicated that rising interest rates and the war in Ukraine continue to weigh on economic activity.

5.2. In addition to the global economic slowdown, indications hint at an elevated risk of debt crisis in 2023. Global debt has reached new highs. Overall borrowing jumped in 2020 in response to the pandemic. The war in Ukraine has added to the strain on public finances and exerted additional fiscal pressure on national budgets. According to the IMF, public debt now represents nearly 40% of the global total debt, which is the highest in almost six decades.

5.3. Furthermore, at the end of 2022, nearly 60% of the low-income countries were in debt distress or at high risk of debt distress, double the 2015 figure. This is linked to the external account crisis and currency depreciation. Prices of most globally traded commodities are denominated in United States dollars (USD), which means that a stronger USD translates into higher import costs for the importing countries, posing an additional challenge particularly for lower income countries.

5.2 Trends in global and domestic food prices

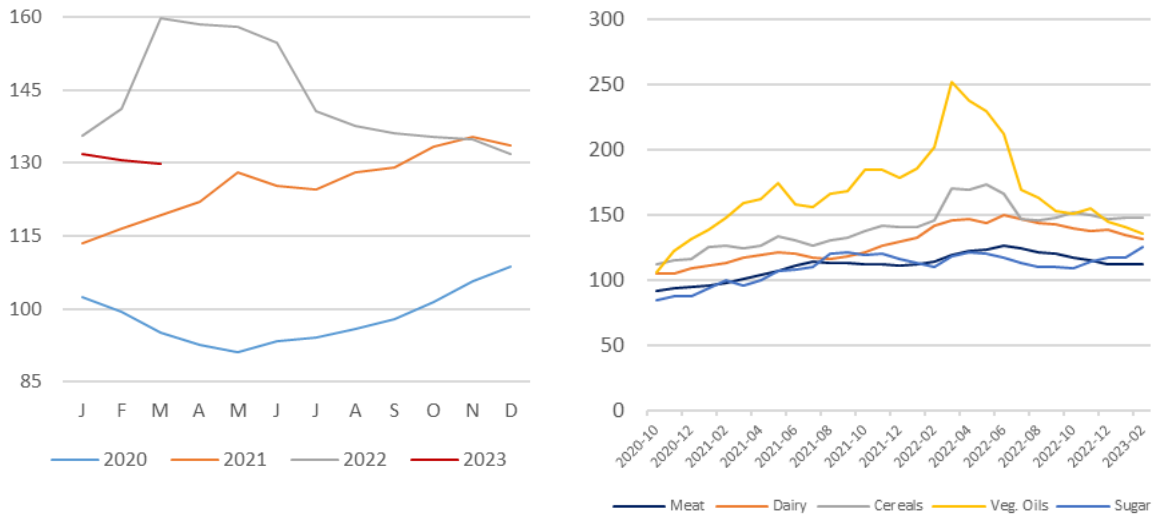
5.4. The **FAO Food Price Index** averaged 129.8 points in February 2023, marginally down (0.6%) from January, continuing the downward trend for the eleventh consecutive month (Figure 1, left graph). With the latest decline, the index has fallen 29.9 points (18.7%) from the peak it reached in March 2022. The marginal decline of the FFPI in February reflected significant drops in the price indices of vegetable oils and dairy products, together with fractionally lower cereal and meat price indices, more than offsetting a steep rise in the sugar price index (Figure 1, left graph).

[3] World Bank. 2023. Global Economic Prospects, January 2023. Washington, DC: World Bank. Available at: https://openknowledge.worldbank.org/server/api/core/bitstreams/254aba87-dfeb-5b5c-b00a-727d04ade275/content.

[4] IMF. 2023. World Economic Outlook. Update 2023. Inflation Peaking amid Low Growth. Available at: https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx.

5.5. Specifically, The **FAO Cereal Price Index** averaged 147.3 points in February, virtually unchanged from January and 2.0 points (1.4%) above its level one year ago. After falling for three consecutive months, international wheat prices rose marginally in February (up 0.3%). The slightly firmer tone mostly reflected ongoing concerns over dry conditions in key production areas of "Hard Red Winter" wheat in the United States of America, and robust demand for supplies from Australia, while strong competition among exporters helped to cap price gains. The **FAO Vegetable Oil Price Index** averaged 135.9 points in February, down 4.5 points (3.2%) from January and marking the lowest level since the beginning of 2021. The **FAO Dairy Price Index** averaged 131.3 points in February, down 3.6 points (2.7%) from January and 10.2 points (7.2%) below the corresponding month last year. The **FAO Meat Price Index** averaged 112.0 points in February, fractionally lower (0.1 points or 0.1%) from January and 1.9 points (1.7%) below its value a year ago. Finally, the **FAO Sugar Price Index** averaged 124.9 points in February, up 8.1 points (6.9%) from January, reaching its highest level since February 2017 (Figure 1, right graph).[5]

Figure 1. FAO Food Price Index (left) and Price Indices for individual commodities (right)



Source: FAO. 2023. Food Price Index. https://www.fao.org/worldfoodsituation/foodpricesindex/en/.

5.6. As for domestic prices, FAO's most recent analysis shows that domestic staple food prices generally remained at elevated levels in February 2023. Seasonal factors and price transmission from the recent declines in international grain prices supported month-on-month declines in some staple food prices in parts of East Asia, South America, Southern Africa and West Africa. However, in many countries, conflict, adverse weather events and macroeconomic difficulties, particularly currency weakness, continue to keep domestic prices at elevated levels.[6]

5.7. Regarding **West Africa**, prices of coarse grains followed mixed trends in January and February 2023 and remained above their year-earlier levels in most countries of the subregion. In the Sahelian countries, high prices are mostly supported by low carryover stocks, reduced trade flows and conflict-related market disruptions in Liptako-Gourma and Lake Chad regions. In coastal countries along the Gulf of Guinea, high prices are mostly supported by strong demand and currency depreciation. Furthermore, elevated production costs and high international commodity prices continued to contribute to the relatively high domestic cereal prices across the subregion.

5.8. In **Southern Africa**, food price increases eased in several countries, amid softening global commodity prices, while in others staple maize grain prices reached new record highs, severely stressing acute food insecurity. In Botswana, Eswatini and Namibia, following sharp increases at the end of 2022, prices of maize meal increased only moderately in January, as the declining maize prices in South Africa, the main source of cereals for these countries, began to filter into the domestic

[5] FAO. 2023. *Food Price Index*. https://www.fao.org/worldfoodsituation/foodpricesindex/en/.
[6] FAO. 2023. *FPMA Bulletin: Monthly Report on Food Price Trends* (March 10th, 2023). https://www.fao.org/3/cc4859en/cc4859en.pdf.

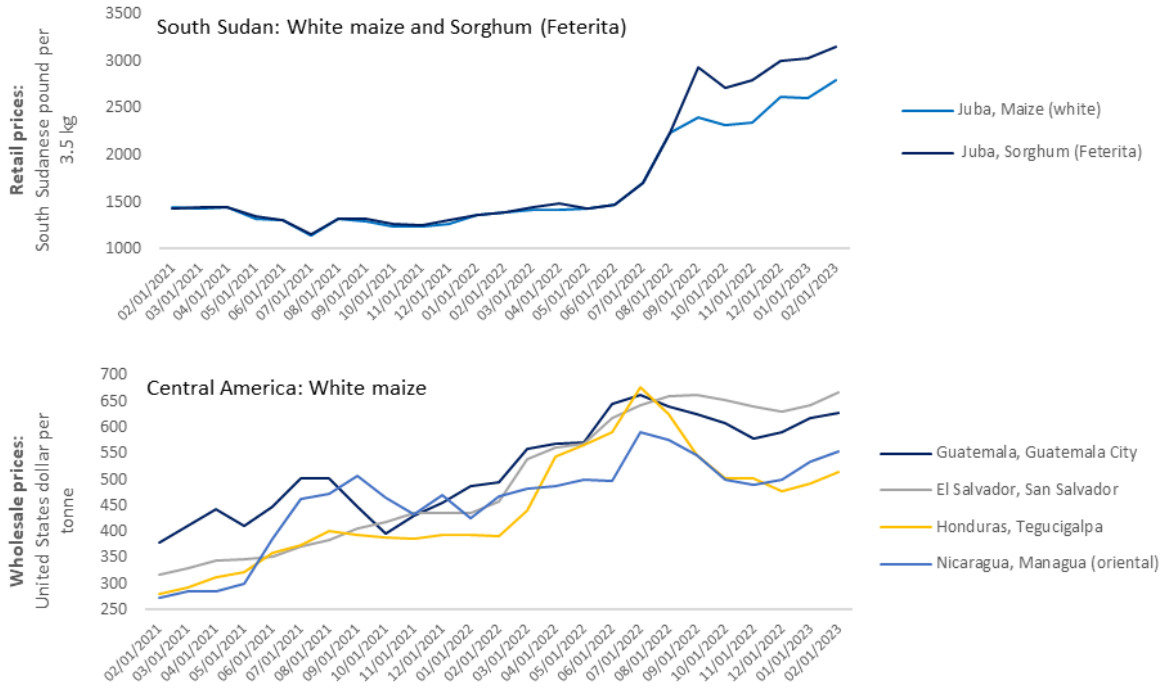
markets. In Malawi, tight supplies and a weaker year-on-year national currency have driven up the price of maize grain, which were at record levels in early 2023.

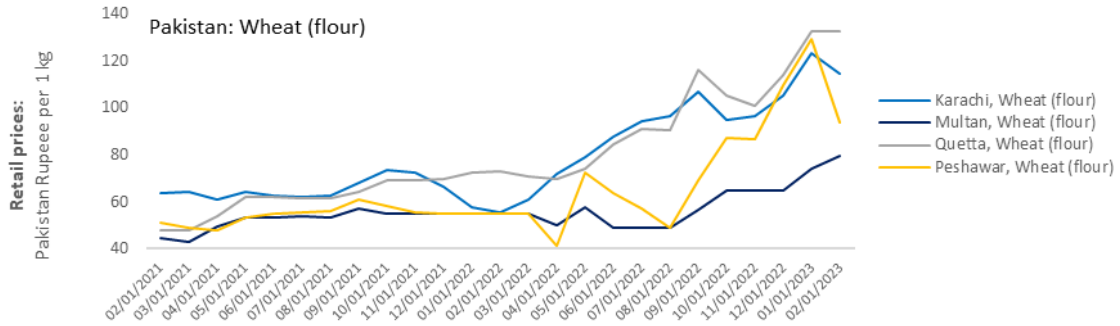
5.9. In **East Africa**, prices of coarse grains followed mixed trends in February 2023. Overall, exceptionally high levels continued to be recorded in South Sudan (Figure 2, top) and the Sudan, underpinned by insufficient supplies and severe macroeconomic difficulties, including currency weakness. Across 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.

5.10. In **Central America and the Caribbean**, prices of maize and beans rose in most countries and remained above their February 2022 levels. Across the subregion, wholesale prices of white maize continued to rise in February, with the notable exception of Mexico, where prices were stable or declined with the recently completed 2022 main harvest. However, in Puebla, where dry conditions in mid-2022 caused a 25% drop in production, prices increased in February and remained more than double their year-earlier levels. In other key markets, prices were also higher year-on-year, following sustained increases in 2022. In February, prices of white maize rose for the third consecutive month in Guatemala and Nicaragua, and for the second consecutive month in El Salvador and Honduras, reflecting reduced supplies, in line with seasonal trends (Figure 2, middle). In these countries, prices were at least 20% above their levels a year earlier, reflecting elevated production and transportation costs.

5.11. Finally, in **Far East Asia**, domestic prices of rice followed mixed trends, while wheat flour prices generally softened in February. For rice, domestic followed mixed trends in February 2023 and were well above their year-earlier levels in most countries of the subregion. For rice, in Myanmar, domestic prices of "Emata" rice, a widely consumed variety, continued to increase sharply, reaching record highs in February and were 125% higher year-on-year, reflecting tight market availabilities following below-average outputs in 2021 and 2022, as well as elevated agricultural input and transportation costs. Regarding wheat, in Pakistan, domestic wheat flour prices were generally stable or declined in February, reflecting favourable production prospects for the 2023 main winter crop, which will be gathered from March onwards. However, February prices remained at elevated levels, as market availabilities remain tight following stagnant outputs since 2018, high agricultural input costs, elevated transportation costs and general inflationary pressure (Figure 2, bottom).

Figure 2. Domestic price trends in South Sudan (top), Central America (middle), and Pakistan (bottom)



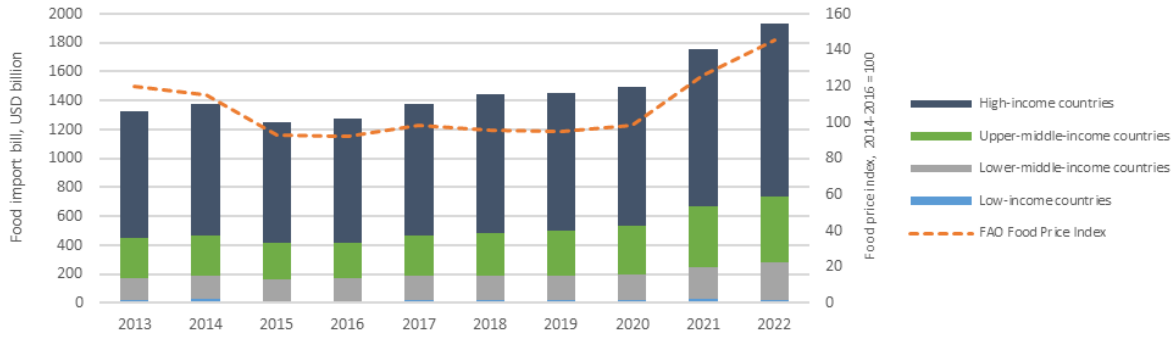


Source: FAO. 2023. *FPMA Bulletin: Monthly Report on Food Price Trends* (published 10 March 2023) https://www.fao.org/3/cc4859en/cc4859en.pdf.

5.3 Food import bills

5.12. While over the past months global food prices have declined from the record high observed in March 2022 following the outbreak of the war in Ukraine, high food prices overall are a major driver of increased food import costs. The world food import bill was estimated to reach another all-time high in 2022, surpassing USD 1.9 trillion, a 10.3% increase, or nearly USD 181 billion, from last year's record level (Figure 3). The predicted rise in the 2022 global food import bill is mostly due to the price effect, with USD 157 billion due to higher international prices. Economically vulnerable countries are finding it increasingly difficult to finance their food imports, which could have serious implications for food security.

Figure 3. Import bills for food by income group, current USD billion



Source: FAO, Trade Data Monitor (TDM), FAO calculations.

5.4 Fertilizer prices and import bills for agricultural inputs

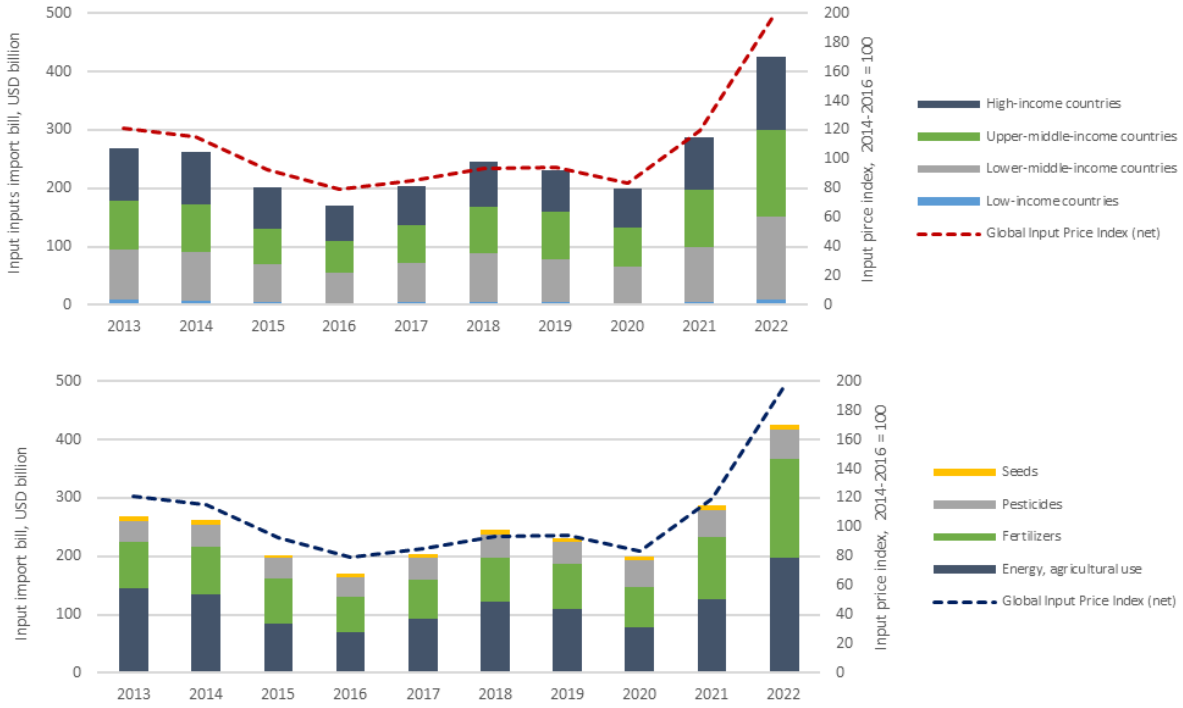
5.13. With respect to inputs, agricultural production uses high amounts of energy directly through on-farm fuel, natural gas and electricity, or indirectly by using agrichemicals such as pesticides, lubricants and fertilizers. For example, natural gas plays a primary role in the production of N-fertilizer. In this context, the Russian Federation is a key player in the energy sector and the world's largest fertilizer exporter, ranking in 2021 as the top exporter of nitrogen (N) fertilizers, the second leading supplier of potassium (K) fertilizers (with Belarus being the third) and the third for phosphorous (P) fertilizers. With prices of fertilizers and other energy intensive products being exacerbated by the war in Ukraine, agricultural input prices overall are experiencing a considerable boost and have put upward pressure on world food prices, with negative consequences for global food security.

5.14. Regarding fertilizers in particular, prices began gathering momentum in 2020 and then soared in mid-2021 with many quotations reaching all-time highs month after month. The most notable increases have been registered for nitrogen fertilizer, with nominal prices of N-urea having risen more than threefold since the beginning of 2020 – Black Sea spot prices (bulk) were quoted at USD 215/tonne in January 2020 and then at USD 678/tonne in September 2022. Prices for phosphorous fertilizer have risen in tandem. Those for diammonium phosphate, or DAP, a key

composite P-fertilizer, have almost trebled, from USD 265/tonne to USD 752/tonne over the same period. By contrast, prices of potash (K-fertilizer) remained less affected until the beginning of 2022, with the benchmark spot price of Potassium Chloride (KCI) even decreasing slightly from USD 245/tonne in January 2020 to USD 221/tonne in January 2022. However, in March 2022 the benchmark price surged to USD 563/tonne and remained at this level.[7]

5.15. In line with this, the world agricultural input import bill (IIB) was estimated to reach USD 424 billion in 2022, representing a leap of 48% or USD 138 billion over the total reached in 2021 (Figure 4, top). Higher costs for imported energy and fertilizer are the main drivers behind the soaring global IIB in 2022. These two inputs accounted for well over 75% of the overall world bill in the past and are likely to reach a new record of 86% in 2022 (Figure 4, bottom). Fertilizer and energy are particularly important items in the import bills of low-income countries and lower middle-income countries, accounting for 92 and 91% of total imported inputs, respectively.[8] Saddled with higher costs of fertilizer and energy imports, these countries may be forced to cut down on the use of imported inputs, and, where domestic substitutes are not available, will eventually reduce input applications overall. Reduced use of inputs would almost inevitably result in lower agricultural productivity, potentially resulting in lower domestic food availability.[9]

Figure 4. Import bills for agricultural inputs by country income group (top) and by type of input (bottom), current USD billion



Source: FAO, Trade Data Monitor (TDM), FAO calculations.

6 FAO'S WORK ON THE GLOBAL FOOD INSECURITY CRISIS

6.1. FAO has been instrumental in framing the trade-related response to the global food insecurity crisis, as a provider of neutral and timely information on markets, through analysis and evidence building as well as targeted policy proposals, and supporting global food security governance.

[7] FAO and WTO. 2022. *Global fertilizer markets and policies: a joint FAO/WTO mapping exercise* (November 14th, 2022). https://www.fao.org/3/cc2945en/cc2945en.pdf.

[8] For high and upper-middle-income countries, almost 55% of the increased IIB stems from higher fertilizer imports. This compares to 26 and 10% for lower middle and low-income countries, where the increased IIB is dominated by energy imports.

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

6.2. **Timely information on markets.** Increasing market transparency, by providing critical timely and objective data and information, is crucial in reducing uncertainty and disruptions to global agrifood trade. Through its regular activities on market intelligence and early warning, FAO has continued to provide timely and objective data and information on market developments and outlook. These included regular reporting on food commodity prices through the monthly FAO Food Price Index and the Food Price Monitoring and Analysis (FPMA) Bulletin, the publication of the Agricultural Market Information System (AMIS) Market Monitor, providing a synopsis of major market developments for wheat, maize, rice and soybeans, and the publication of Food Outlook, presenting a comprehensive assessment of food commodity markets, and the Crop Prospects and Food Situation report, providing an analysis of the food situation and food security conditions by geographic region, by the FAO Global Information and Early Warning System on Food and Agriculture (GIEWS).

6.3. **Analysis and evidence building.** Following the outbreak of the war in Ukraine, FAO has provided a series of briefs and information notes, including assessments of impacts on global agrifood markets and food security. As part of such assessments, FAO developed a Fertilizer Trade Tracker, an online tool which allows countries to gauge remaining import needs and/or unrealized export availabilities for the current crop and calendar year. Likewise, in response to rising import prices and growing difficulties in accessing international fertilizer markets, FAO has developed a methodology to prioritize the allocation of international fertilizer supplies to countries in Africa. Finally, FAO and WTO have produced a joint report[10] on fertilizers for the G20 Leaders, calling for action in a number of policy areas to avoid a global food availability crisis.

6.4. **Policy proposals.[11]** FAO has put forward a number of policy proposals to face the global food insecurity crisis, covering many areas including social protection, food loss and waste, fertilizer use efficiency, and investment and financing needs. For instance, in April 2022, FAO proposed to establish a 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. In this regard, FAO welcomes the decision by the Executive Board of the IMF to approve a 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 this instrument, which is in line with the financing facility proposed by FAO.

6.5. **Global food security governance.** FAO Director-General joined forces with the Heads of the International Monetary Fund, World Bank Group, World Food Programme and World Trade Organization and issued three joint statements on the global food security and nutrition crisis. The third Joint Statement[12], released on 8 February 2023, highlights the importance of facilitating trade, improving the functioning of markets, enhancing the role of the private sector, as well as reforming and repurposing harmful subsidies with careful targeting and efficiency. Moreover, FAO's Director-General highlighted issues related to the food crises in various G7 Ministerial Meetings and outlined a strategy for addressing the crisis at a high-level conference on "Uniting for Global Food Security", organized by the G7 Presidency in Berlin, Germany. Further to that, FAO Director-General QU Dongyu alerted global leaders at the G20 Joint Finance and Agriculture Ministers Meeting to the risks of a food access crisis to turn into a food availability crisis and outlined policy proposals to map a pathway out of a global food crisis.

[10] https://www.fao.org/3/cc2945en/cc2945en.pdf.
[11] https://www.fao.org/in-focus/policy-proposals/en.
[12] Joint Statement by the heads of FAO, IMF, World Bank, WFP and WTO.