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

*Submission by the Food and Agriculture Organization of the United Nations (FAO)*

The following submission, dated 23 November 2023, is being circulated at the request of the Food and Agriculture Organization of the United Nations (FAO).

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**1 BACKGROUND**

1.1. The latest edition of *The State of Food Security and Nutrition in the World*<sup>1</sup> (SOFI) report, released in July, informed that the prevalence of global hunger (PoU) had stayed relatively unchanged from 2021 to 2022 but was still higher than the pre-COVID-19 figure. It was estimated that between 691 million and 783 million people suffered from chronic hunger in 2022. Considering the midrange (735 million), 122 million more people faced hunger in 2022 than in 2019, before the COVID-19 pandemic.

1.2. The report estimates that almost 600 million people will be chronically undernourished in 2030, making it a challenge to reach the Sustainable Development Goal (SDG) target of eradicating hunger. This is 119 million more than if the pandemic and war in Ukraine had not occurred, and 23 million more people than if the war had not happened.

1.3. The SOFI report also showed that following an increase from 2019 to 2020, the global prevalence of moderate or severe food insecurity<sup>2</sup> remained the same for the second year in a row, far beyond pre-COVID-19 pandemic levels. In 2022, an estimated 29.6% of the population (2.4 billion people) were moderately or severely food insecure, 391 million more people than in 2019.

1.4. Finally, the joint report Hunger Hotspots- FAO-WFP early warnings on acute food insecurity: November 2023 to April 2024 Outlook,<sup>3</sup> also released in early November 2023, warns that acute food insecurity is likely to deteriorate further in 18 hunger hotspots – comprising 22 countries or territories including two regional clusters – during the outlook period from November 2023 to April 2024.

1.5. In this regard, four net food-importing countries (NFIDCs), namely Burkina Faso, Mali, South Sudan and the Sudan, are hotspots of the highest concern. Palestine was added to the list of countries/ territories of highest concern due to the severe escalation of conflict in October 2023.

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<sup>1</sup> FAO, IFAD, UNICEF, WFP and WHO. 2023. *The State of Food Security and Nutrition in the World 2023. Urbanization, agrifood systems transformation and healthy diets across the rural-urban continuum*. Rome, FAO. <https://doi.org/10.4060/cc3017en>.

<sup>2</sup> The prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES) is an estimate of the percentage of a country's population that faces difficulties in accessing enough safe and nutritious food for normal growth and development and an active and healthy life.

<sup>3</sup> WFP and FAO. 2023. *Hunger Hotspots. FAO-WFP early warnings on acute food insecurity: November 2023 to April 2024 Outlook*. Rome. <https://doi.org/10.4060/cc8419en>.

These hotspots have populations that are either already facing critical levels of starvation (Catastrophe, IPC/CH Phase 5) or at risk of deteriorating to this state (Emergency, IPC/CH Phase 4). These countries/territories need the most urgent attention.

1.6. Afghanistan, the Democratic Republic of the Congo, Ethiopia, Haiti, Pakistan, Somalia, Yemen, all of which are NFIDCs, and the Syrian Arab Republic are identified as hotspots of extreme concern, as they have a high number of people facing or projected to be facing critical levels of acute food insecurity, along with intensifying drivers that are likely to worsen the life-threatening conditions further.

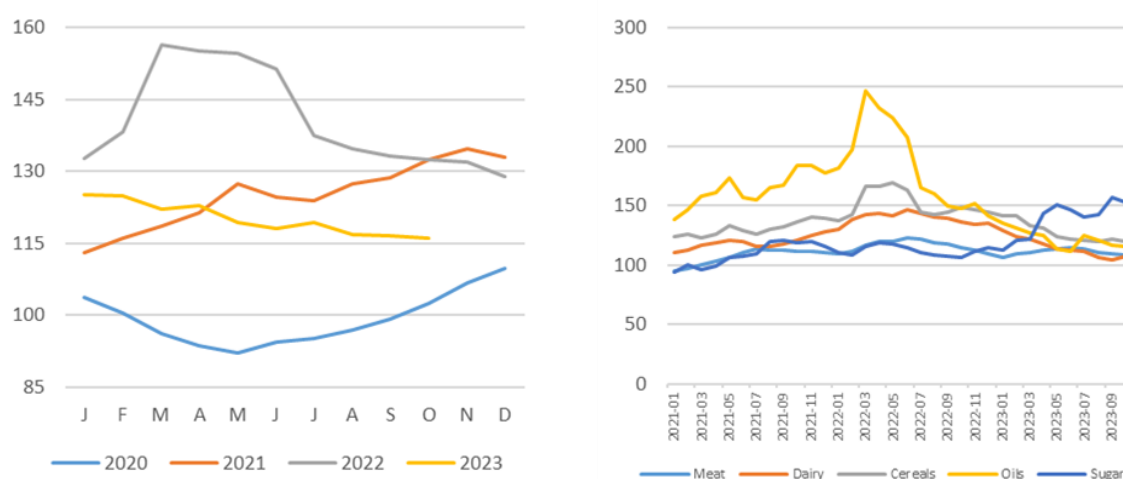
## 2 FOOD PRICES: GLOBAL AND DOMESTIC DEVELOPMENTS

### 2.1 Global food prices

2.1. The **FAO Food Price Index (FFPI)** averaged 120.6 points in October 2023, down 0.7 points (0.5%) from September, continuing the downward trend and standing 14.8 points (10.9%) below its corresponding value a year ago (Figure 1 – left). The slight drop in October reflects declines in the price indices for sugar, cereals, vegetable oils and meat, while the index for dairy products rebounded.

2.2. With respect to individual commodities (Figure 1 – right), the FAO Cereal Price Index averaged 125.0 points in October, down 1.3 points (1.0%) from September and as much as 27.3 points (17.9%) from its value a year ago. International wheat prices fell by 1.9% in October. By contrast, international prices of coarse grains firmed marginally, increasing by 0.6% month-on-month. Among other coarse grains, world sorghum prices rose in October, while barley prices fell. International rice prices dropped by 2.0% month-on-month in October, weighed by generally passive global import demand. The FAO Vegetable Oil Price Index averaged 120.0 points in October, down 0.9 points (0.7%) from September, marking the third successive monthly decline and standing 31.3 points (20.7%) below its value one year ago. The FAO Dairy Price Index averaged 111.3 points in October, up 2.4 points (2.2%) from September, following nine months of consecutive declines, but still down 28.0 points (20.1%) from its value one year ago. The FAO Meat Price Index averaged 112.9 points in October, down slightly (0.7 points, or 0.6%) from September, marking the fourth consecutive monthly decline, and standing 3.9 points (3.4%) below its value a year ago. Finally, the FAO Sugar Price Index averaged 159.2 points in October, down 3.5 points (2.2%) from September after two consecutive monthly increases. International sugar quotations remained, however, 50.6 points (46.6%) above their levels in the same month last year.

**Figure 1. FAO Food Price Index (left) and Price Indices for commodity groups (right)**



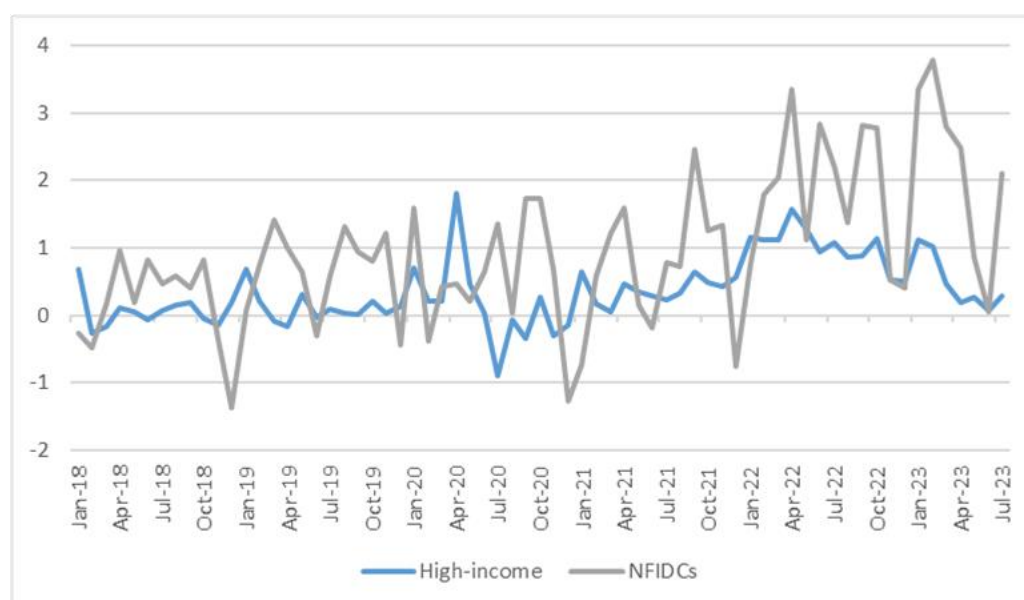
Source: FAO. 2023. Food Price Index. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>.

## 2.2 Food inflation in NFIDCs<sup>4</sup>

2.3. One measure for capturing general movements in domestic prices is the consumer price index (CPI). The food component of the CPI (FCPI) gauges the changes in the prices of food products. Among net food-importing developing countries, the FCPI increased up to a peak of 3.3% in April 2022 (Figure 2). Soon after, however, it began a downward trend throughout the rest of the year, except for September and October 2022. Food inflation accelerated in January and February 2023, before falling steadily in the following four months up to June 2023, then rising to 2.1% in July 2023, concomitant with an uptick in international crude oil prices.

2.4. Food inflation among NFIDCs has been significantly higher and more volatile than among high-income countries. This larger level of volatility mostly reflects the higher dependence of NFIDCs on world food markets, with increased exposure to international food price fluctuations. Inflation spillovers from high-income countries can also occur following changes in monetary policy to address elevated domestic inflation. This is mainly the case for the United States, where higher interest rates lead to an appreciation of the US dollar, the main trading currency, with respect to the currency of the NFIDCs, which in turn raises their domestic inflation.

**Figure 2. Monthly percentage change in FCPI**



Note: Based on available data, the analysis covers 32 out of the 78 countries in the group of NFIDCs. High-income countries include Canada, the Euro area, Japan and the United States.

Source: FAO. 2023. Food Outlook – Biannual report on global food markets. Food Outlook, November 2023. Rome. <https://doi.org/10.4060/cc8589en>.

## 2.3 Domestic food prices in NFIDCs

2.5. According to the Food Price Monitoring and Analysis (FPMA) Bulletin<sup>5</sup>, published in November 2023, in most countries monitored by FAO, domestic staple food prices were in October 2023 at higher levels year on year, mostly due to rising production and distribution costs, hampering households' access to food, according to FAO's most recent analysis.

2.6. Regarding **sub-Saharan Africa**, prices of key cereal staples are generally well above their year-earlier levels; however there has been a slowdown in price growth since the mid-year point. A key factor underlying the elevated prices is currency weakness vis-à-vis the United States dollar, which has driven up production and distribution costs, reflecting increased energy prices, and limited

<sup>4</sup> FAO. 2023. Food Outlook – Biannual report on global food markets. Food Outlook, November 2023. Rome. <https://doi.org/10.4060/cc8589en>.

<sup>5</sup> FAO. 2023. Food Price Monitoring and Analysis Bulletin: November 2023. Rome. <https://www.fao.org/3/cc8660en/cc8660en.pdf>.

the transmission of falling international food prices. Weather-related production declines, particularly in several East African and Southern African countries, further contributed to the price upswings in 2023. Looking ahead, inclement weather patterns, due to the prevailing El Niño event, are an upside risk to food prices in 2024, largely linked to dry conditions and its potential impact on domestic production.

2.7. Among **Far East Asia**, domestic prices of rice showed mixed trends in October 2023, while those of wheat flour were stable or declining. However, notably in Pakistan, retail prices of wheat flour, the country's main food staple, were at near-record levels in October 2023, following steep hikes between April 2022 and May 2023, due to a tight supply situation and high production and transport costs, amid a significant depreciation of the national currency. In Myanmar, prices of a widely consumed rice variety (emata) were near-record highs in late 2023, principally underpinned by tight availabilities reflecting low domestic harvests in 2022 and 2023.

2.8. As for **Central America and the Caribbean**, prices of food had increased pronouncedly in Haiti in 2023, reflecting the challenging macroeconomic conditions, including a weak currency, and the effects of civil insecurity.

### 3 CEREAL SUPPLY AND DEMAND<sup>6</sup>

3.1. FAO has maintained its forecast for world cereal **production** in 2023 at 2,819 million tonnes, still representing a 0.9% (26 million tonnes) increase compared to the previous year's outturn (Table 1). Global wheat production in 2023 is forecast at 785.1 million tonnes, virtually unchanged from last month and 2.2% (18 million tonnes) lower than last year's level. Global coarse grain production is pegged at 1,510 million tonnes in 2023, unchanged month on month and remaining 2.7% (38.8 million tonnes) above last year's outturn. Turning to 2024, winter wheat plantings are underway across the northern hemisphere and area growth is expected to be limited, reflecting softer crop prices this year. FAO's forecast of world rice production in 2023/24 now stands at 523.9 million tonnes, up 0.8% from the 2022/23 estimate and 850,000 tonnes higher than previously reported.

3.2. World cereal **utilization** in 2023/24 is forecast to reach 2,810.4 million tonnes, up 6.7 million tonnes since the October report and 1.0% higher than in 2022/23. The forecast for total wheat utilization in 2023/24 has been scaled up 6.3 million tonnes this month. Despite a 1-million-tonne downward revision this month, global utilization of coarse grains is still set to expand in 2023/24 by 1.2% to 1,499 million tonnes. The forecast for world rice utilization in 2023/24 has been raised by 1.5 million tonnes since October to 522.0 million tonnes. Nevertheless, the revised level continues to suggest that world rice total use could stagnate at the 2022/23 somewhat reduced level, as forecast cuts in the feed uses largely offset an increase in the food use component.

3.3. The forecast for world cereal **stocks** by the close of seasons in 2024 has been lowered by 2.9 million tonnes since October, to 881 million tonnes, but still points to a 2.6% increase above opening levels. Based on the latest stock and utilization forecasts, the 2023/24 world cereals stocks-to-use ratio stands at 30.7%, marginally above the 30.5% in 2022/23, which is a comfortable supply situation from a historical perspective. Following this month's downward revision, global wheat stocks are now expected to remain close to their opening levels, at 315 million tonnes. The forecast for global coarse grain inventories has been lifted this month by 1.0 million tonnes to 367 million tonnes, up 5.9% from their opening levels.

3.4. FAO's forecast for global **trade** in cereals in 2023/24 has been raised by 3.0 million tonnes since October to 469 million tonnes, still heading for a 1.6% contraction from 2022/23. Both global coarse grain and wheat trade are forecast to contract in 2023/24, by 2.8% and 1.8%, respectively, from their 2022/23 levels. International trade in rice in 2024 (January-December) is seen in the order of 52.8 million tonnes, little changed from the October forecast and close to the 2023 reduced level.

<sup>6</sup> This section is based on the November 2023 FAO Cereal Supply and Demand Brief available at <https://www.fao.org/worldfoodsituation/fao-cereal-supply-and-demand-brief/en>.

**Table 1. Global cereal market at a glance**

	2019/20	2020/21	2021/22	2022/23	2023/24 (forecast)
<b>Production (million tonnes)</b>	2,711.1	2,782.5	2,812.0	2,793.3	2,819.3
<b>Utilization (million tonnes)</b>	2,708.0	2,764.3	2,799.3	2,781.8	2,810.4
<b>Trade (million tonnes)</b>	439.9	482.2	482.0	476.9	469.2
<b>Ending stocks (million tonnes)</b>	832.1	840.2	858.3	858.4	881.1
<b>World stocks-to-use ratio %</b>	30.1	30.0	30.9	30.5	30.7

Source: FAO (2023).

#### 4 CROP PRODUCTION PROSPECTS IN NFIDCS<sup>7</sup>

4.1. According to the latest FAO's estimates, aggregate cereal production among net food-importing developing countries in 2023 is expected to be above the five-year average and the outturn in 2022.

4.2. In **Northern Africa**, drought conditions curbed harvests in 2023, where cereal production is forecast to be below the five-year average in 2023. Looking ahead, for the 2024 crops, rainfall amounts early in the season (October) were very limited, with almost no rainfall reported in major rainfed cropping areas of central Morocco and parts of Tunisia. In early September 2023, two major natural disasters struck the subregion - an earthquake in southern Morocco and a dam collapse due to a heavy flooding in north-eastern Libya, resulting in a significant loss of lives and material damages. However, while detrimental to livelihood opportunities, the national cereal production is unlikely to be affected.

4.3. In **Sub-Saharan Africa**, aggregate cereal production in 2023 among NFIDCs is estimated to be above its five-year average. A decrease in production is estimated in Southern Africa, and prospects of a poor rainy season is particularly worrisome for crop production in 2024, underpinned by unfavourable El Niño conditions. Mostly conducive rainfall conditions across West Africa are also foreseen to result in above-average harvests in 2023. Cereal production in East Africa is seen dipping below average levels due to less-than-favourable weather conditions. Finally, in Central Africa, conflicts and displacements constrain agricultural production, forecast to remain in 2023 at the levels of the five-year average.

4.4. In **Asia**, cereal production is forecast to be well above the five-year average. Preliminary data points to a significant increase in cereal production in Pakistan and Bangladesh, mainly reflecting large plantings due to strong demand by the feed industry, as well as record high domestic prices of wheat in Pakistan. In contrast, in Myanmar the paddy production is forecast below-average levels.

4.5. In **Latin American and the Caribbean**, aggregate cereal production among the NIFDCs in 2023 is expected at an above-average level. Dominican Republic, El Salvador and Peru are expected to increase their production with respect to their five-year averages. However, production in Haiti is estimated at a below average level due to constrained availability of agricultural inputs and generally poor weather conditions.

#### 5 FOOD IMPORT BILL OF NFIDCS

5.1. The global food import bill (FIB) is forecast to reach USD 2 trillion in 2023, marking a 1.8% increase (USD 35.3 billion) over the previous record, which was attained in 2022 (Figure 3).<sup>8</sup> Although a new absolute high, the speed of expansion is anticipated to slow down significantly relative to 2022 and 2021, when growth rates reached 11% and 18%, respectively. The anticipated increase in the 2023 bills reflects a combination of prices and volumes changes, with an additional

<sup>7</sup> This section is based on information provided in the Crop Prospects and Food Situation Report, November edition (<https://www.fao.org/3/cc8566en/cc8566en.pdf>), modified to comply with the WTO List of Net Food-Importing Developing Countries. Regional groups are based on the UN M49 Code list.

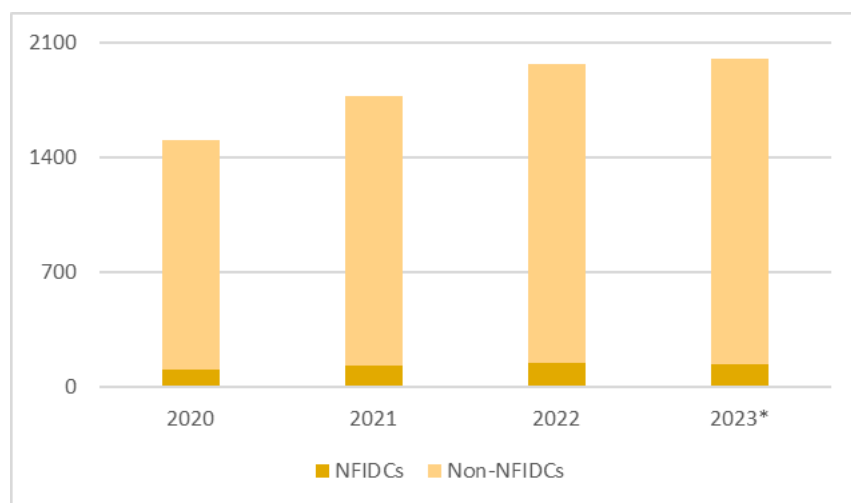
<sup>8</sup> FAO. 2023. Food Outlook – Biannual report on global food markets. Food Outlook, November 2023. Rome. <https://doi.org/10.4060/cc8589en>.

USD 21.1 billion stemming from higher volumes and USD 19.6 billion from higher international prices.<sup>9</sup>

5.2. In contrast to the overall trend, the NFIDCs will see their food import bills contract by 6.8%. This decline in the FIB reflects both an effect of prices and volumes.

5.3. A reduction in import quantities – despite declining world prices – suggests that additional factors are impeding the ability of these countries to access international food markets. For instance, the strengthening of the US dollar, the main trading currency, with respect to the currencies of the NFIDC has negatively impacted their purchasing power. Other factors that reduce the ability to pay for food imports include limited financial resources, mounting debt levels, high freight costs and insurance premiums, contractions in domestic economic activity and falling foreign exchange reserves.

**Figure 3. World import bills of total food and food products (USD billion)**



Source: FAO. 2023. Food Outlook – Biannual report on global food markets. Food Outlook, November 2023. Rome. <https://doi.org/10.4060/cc8589en>.

## 6 POLICY RECOMMENDATIONS AND FAO'S ROLE

6.1. Many NFIDCs are facing significant challenges, rising vulnerability and likely leading to higher levels of food insecurity. Therefore, it is essential that Members and development agencies continue to support vulnerable countries and groups through actions aiming at supporting access to food. Trade is crucial, as it can help stirring productivity and incomes, and benefit consumers.

6.2. It is necessary to improve **market transparency** by offering critical, up-to-date and objective data and information. In this regard, the Agricultural Market Information system (AMIS), an inter-agency platform housed at FAO, conducts assessments and analyses and produces short-term market outlooks, for wheat, maize, rice and soybeans, enhancing food market transparency and policy response for food security. Moreover, 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.

6.3. **Trade facilitation** measures are also an increasingly crucial lever to make trade work best for NFIDCs. Streamlining sanitary and phytosanitary (SPS) measures at the border and improving coordination between national customs and SPS authorities are both practical steps that have enormous potential to facilitate countries' involvement in food trade.

6.4. NFIDCs have considerable catch-up potential due to challenges in reaching key target markets. Consequently, addressing **policy and physical limitations** (such as insufficient marketing and

<sup>9</sup> There is also a negative "mixed effect" of USD 5.4 billion in the overall change in the global FIB, which explains the difference between the overall increase and the sum of the price and volume effect.

trade infrastructure) is essential for both exporting and importing countries to avoid domestic supply disruptions, enhance food availability, and stabilize local markets and prices. Improvement of market and trade-related infrastructure, including digital marketing platforms, is hence necessary to motivate private investment in agriculture and value chains.

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