



Food Outlook

Global Market Analysis

HIGHLIGHTS

Global food prices seem to have stabilized at a relatively high level of around 214 points as measured by the FAO Food Price Index. Although the outlook for the second half of this year and into the next indicates generally improved supplies, demand remains strong and the global food import bill in 2012 is expected to fall only slightly from the 2011 record.

■ CEREALS

World cereal production is heading towards a modest expansion in 2012 to a new record, more than sufficient to cover the projected cereal utilization in the new season (2012/13), and resulting in increasing global inventories.

■ WHEAT

The forecast for 2012 wheat production is cut sharply since March. However, global wheat supplies in 2012/13 are still expected to be adequate in view of an anticipated decline in utilization. As a result, international prices are likely to remain under downward pressure, barring any unexpected major supply shocks.

■ COARSE GRAINS

FAO's first forecast for world production of coarse grains in 2012 points to a modest increase over 2011, but also to a new record. However, the higher production may result in only a partial replenishment of the low world stocks, a factor that may continue to provide support to prices.

■ RICE

Slackening import demand and the return of India as a major rice exporter are behind a weakening of international rice prices since September 2011. World rice crops in 2011 and 2012 are expected to exceed consumption lifting the world stock-to-use ratio to new highs.

■ OILSEEDS

International prices for oilcrops and derived products have appreciated strongly since January and should remain firm given the increasingly tight supply and demand situation of the current season. The market is thus increasingly focusing on 2012/13 planting intentions.

■ SUGAR

Despite falling production in Brazil, world sugar output in 2011/12 looks set to exceed consumption, generating a large surplus for the second consecutive year. Weakening import demand is forecast to result in a contraction of world trade but also in an easing of international sugar quotations from the high levels recorded in 2011.

■ MEAT

Global meat markets in 2012 are expected to see a recovery of supplies in traditionally importing countries and strong competition for markets. Near record prices are constraining consumption growth.

■ MILK

International prices of dairy products are declining in the face of rising supplies. At the same time, import demand remains strong, keeping prices well above recent historical averages.

■ FISH

Sustained demand for fish and fishery products is boosting aquaculture production worldwide and pushing prices higher. Overall production is expected to grow by at least 2 percent in 2012, supported by a strong increase in aquaculture output. Trade is expected to remain brisk with 2012 export values rising again.

TABLE OF CONTENTS

Market summaries 1-9

Market assessments 10-60

Wheat	10
Coarse grains	14
Rice	22
Oilseeds, oils and meals	32
Sugar	41
Meat and meat products	44
Milk and milk products	51
Fish and fishery products	54

Major policy developments

Grains	20-21
Rice	29-31
Oilseeds	39-40
Meat	48-50

Special feature 61-67

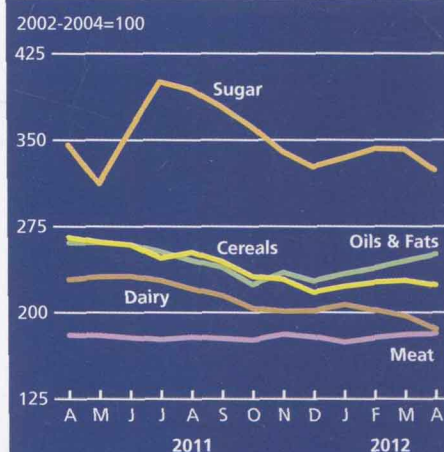
World market volatility challenges facing poor net food-importing countries and possible trade policy responses

Statistical tables 68-105

Market indicators 106-117

Historical and implied price volatility	106
CBOT market participation	107
Forward curves	109
Ocean freight rates	111
Food import bills	113
The FAO price indices	115

FAO Food Price Indices
(April 2011 - April 2012)



Cereal market summary

The FAO's first forecast for world cereal production in 2012 points to a 1 percent (or 27 million tonnes) increase from 2011 to a new record of 2 371 million tonnes. Increases are expected for coarse grains and rice, while wheat may decrease.

Total cereal utilization is anticipated to expand by 1.4 percent in 2012/13, to 2 357 million tonnes, with feed utilization growing fastest and food consumption keeping pace with population. On the other hand, growth in industrial use of cereals for the production of biofuels is likely to stall after several years of strong gains.

Based on these early prospects for world production and utilization, world end-of-season cereal stocks for crop years closing in 2013 could increase to 524 million tonnes, roughly 9 million tonnes, or 1.7 percent, higher than their opening levels. This is not expected to result in any significant variation in the global stocks-to-use ratio, which is estimated to remain stable at roughly 22 percent. Among the major cereals, world carryovers are forecast to decline for wheat while increasing for coarse grains and rice. The forecast rise in inventories of coarse grains could still leave its stocks-to-use ratio at a precariously low level of 14.3 percent, up marginally from 2011/12.

World trade in cereals in 2012/13 is forecast to reach 295.5 million tonnes, slightly higher than in 2011/12. This increase mostly concerns maize, supported by rebounding supplies, more than offsetting an anticipated contraction in wheat, while rice trade is forecast to remain stable.

The FAO Cereal Price Index averaged 224 points in April 2012, down nearly 2 percent from March, with all cereals showing weakness, amid favourable supply prospects. In April, wheat prices on average were roughly 21 percent, maize 15 percent and rice 4 percent lower than the corresponding month last year.

World cereal market at a glance¹

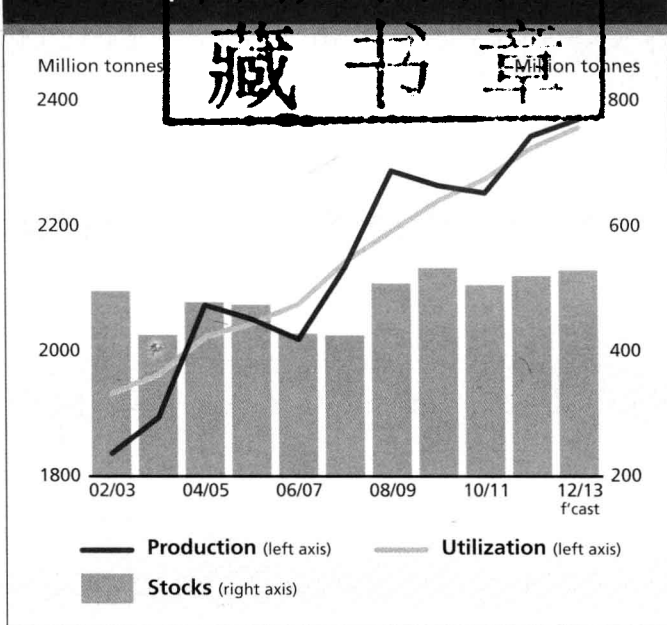
	2010/11	2011/12 estim.	2012/13 f'cast	Change: 2012/13 over 2011/12
	million tonnes			%
WORLD BALANCE				
Production	2 253.7	2 344.1	2 370.7	1.1
Trade ²	281.4	293.1	295.5	0.8
Total utilization	2 275.4	2 324.7	2 357.2	1.4
Food	1 059.4	1 073.4	1 084.7	1.1
Feed	763.8	789.8	806.6	2.1
Other uses	452.2	461.5	465.9	1.0
Ending stocks	500.6	515.2	524.0	1.7
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	153.3	153.6	154.1	0.3
LIFDC ³ (kg/year)	160.0	160.7	162.4	1.1
World stock-to-use ratio (%)	21.5	21.9	21.7	
Major exporters stock-to-disappearance ratio (%)				
	16.8	17.5	18.2	
FAO CEREAL PRICE INDEX (2002-2004=100)				
	2010	2011	2012 Jan-Apr	Change: Jan-Apr 2012 over Jan-Apr 2011 %
	183	247	225	-11.7

¹ Rice in milled equivalent.

² Trade refers to exports based on a July/June marketing season for wheat and coarse grains and on a January/December marketing season for rice.

³ Low-Income Food-Deficit countries.

Cereal production, utilization and stocks



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Wheat market summary

The latest forecast for world wheat production in 2012 points to a sharper decline from 2011 than the FAO forecast published in March. World wheat production in 2012 is anticipated to fall by 3.6 percent from 2011 to 675 million tonnes, with the largest declines forecast for Ukraine, followed by Kazakhstan, China, Morocco and the EU. The anticipated contractions in world production coincides with expectation of a slight reduction in total wheat utilization in the 2012/13 marketing season. This follows a significant expansion of wheat utilization in the 2011/12 season, mainly driven by an exceptional growth in feed demand. However, given the expected recovery in supplies of coarse grains in the coming season, the usage of wheat for annual feeding is likely to fall to more normal levels.

Nonetheless, after a healthy stock build-up this season, wheat inventories are projected to contract in the coming season, falling by 6.5 percent to 183 million tonnes. The drop would be even more significant if total wheat utilization were to increase rather than fall as currently anticipated. This prospect is also captured by the stocks-to-use ratios, which, in spite of a projected drop from their high levels this season, would still remain at relatively comfortable levels.

World wheat trade in 2012/13 is forecast to contract by around 1.7 percent, after an almost 8.7 percent surge in 2011/12, reflecting a weakening of import demand, especially for feed wheat. As a result, the pressure for prices to rise may ease, notwithstanding the expected decline in world wheat production. Large export supplies are also seen to weigh on world markets indicating that, barring any major unexpected supply shocks in the coming months, international prices are likely to average lower than in 2011/12.

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World wheat market at a glance

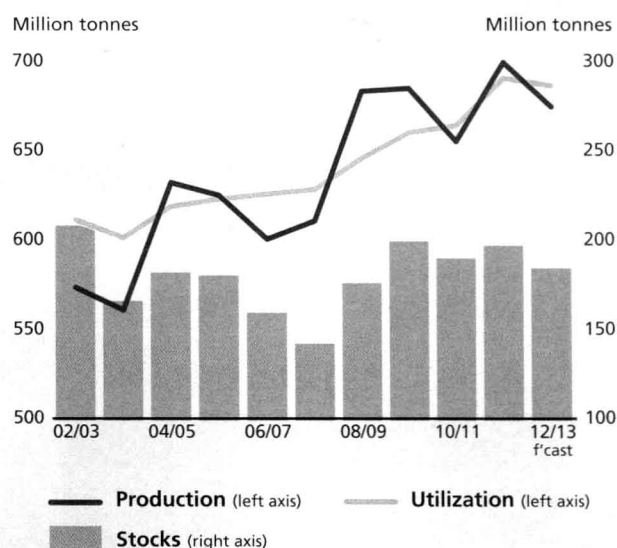
	2010/11	2011/12 estim.	2012/13 f'cast	Change: 2012/13 over 2011/12
	million tonnes			%
WORLD BALANCE				
Production	655.6	700.0	675.1	-3.6
Trade ¹	124.6	137.4	135.0	-1.7
Total utilization	664.1	690.7	686.5	-0.6
Food	468.0	473.5	475.5	0.4
Feed	120.8	138.9	133.8	-3.7
Other uses	75.2	78.3	77.3	-1.3
Ending stocks	188.2	195.3	182.7	-6.5
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	67.7	67.7	67.5	-0.3
LIFDC (kg/year)	49.9	50.3	50.4	0.2
World stock-to-use ratio (%)	27.2	28.4	26.3	
Major exporters stock-to-disappearance ratio ² (%)				
	19.8	20.3	18.6	
FAO WHEAT PRICE INDEX ³ (2002-2004=100)				
	2010	2011	2012 Jan-Apr	Change: Jan-Apr 2012 over Jan-Apr 2011 %
	169	222	193	-19.9

¹ Trade refers to exports based on a common July/June marketing season.

² Major exporters include Argentina, Australia, Canada, EU, Kazakhstan, Russian Fed., Ukraine and the United States.

³ Derived from International Grains Council (IGC) wheat index.

Wheat production, utilization and stocks



Coarse grain market summary

The supply-and-demand outlook for coarse grains in 2012/13 remains very tentative at this early stage, when plantings for this year's crops are not even complete in major producing countries of the Northern Hemisphere. Nonetheless, based on the latest indications, world production is heading towards a record in 2012, a welcome development given the exceptionally tight supply situation witnessed in 2011/12. The expansion in world production is expected to be driven by an anticipated sharp rise in plantings in the United States. However, the production increase is unlikely to be sufficient to ease the market tightness because of the very low level of opening stocks, which also need to be replenished.

Compared to the current season, total utilization in 2012/13 is forecast to increase faster, boosted by higher feed use of maize as opposed to wheat. World trade in coarse grains is also set to expand, after a contraction in 2011/12, with most of the increase concerning maize. Several countries, especially in Asia, are likely to resume importing coarse grains rather than wheat, especially as their prices may become more competitive as the season proceeds.

World stocks of coarse grains are anticipated to increase by the close of season in 2013, but perhaps not sufficiently. This is evidenced by the very low projected stocks-to-use ratio, which is estimated at 14.3 percent in 2012/13, only a notch up from 14.0 percent in 2011/12, which was the lowest ratio since at least 1980. More notably, the inventories held by major exporters, as a group, may remain below average.

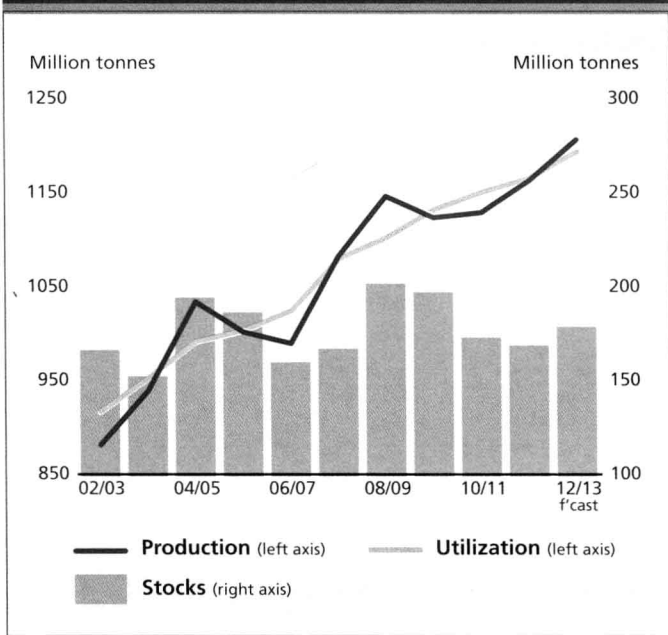
World coarse grain market at a glance

	2010/11	2011/12 <i>estim.</i>	2012/13 <i>f'cast</i>	Change: 2012/13 over 2011/12
	<i>million tonnes</i>			<i>%</i>
WORLD BALANCE				
Production	1 130.1	1 163.9	1 207.3	3.7
Trade ¹	121.6	121.3	126.0	3.9
Total utilization	1 150.5	1 165.6	1 193.7	2.4
Food	202.0	204.0	206.7	1.3
Feed	631.0	638.7	660.2	3.4
Other uses	317.5	322.9	326.8	1.2
Ending stocks	171.4	167.1	177.1	6.0
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	29.3	29.2	29.4	0.7
LIFDC (kg/year)	41.4	40.9	41.4	1.2
World stock-to-use ratio (%)	14.7	14.0	14.3	
Major exporters stock-to-disappearance ratio ² (%)				
	10.6	9.7	11.0	
FAO COARSE GRAIN PRICE INDEX (2002-2004=100)				
	2010	2011	2012 <i>Jan-Apr</i>	Change: Jan-Apr 2012 over Jan-Apr 2011 %
	176	277	262	-4.7

¹ Trade refers to exports based on a common July/June marketing season.

² Major exporters include Argentina, Australia, Brazil, Canada, EU, Russian Fed., Ukraine and the United States.

Coarse grain production, utilization and stocks



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Rice market summary

International rice prices have been easing since September 2011, coinciding with the resumption of massive exports of regular rice by India. The country's return to the international rice arena intensified competition among exporters, virtually neutralizing the positive effects that Thailand's high producer price policy had on world quotations. By April 2012, world prices had shed 10 percent of their September value, with all rice varieties affected.

World rice production is estimated to have expanded by 2.6 percent in 2011. Under expectations of normal weather and with the advancement of ambitious sectoral development programmes, it is foreseen to grow by a further 1.7 percent in 2012 to 488 million tonnes (milled rice basis), notwithstanding some disappointing first crop results in South America.

Trade in rice is forecast to fall by 2.6 percent in 2012, mainly depressed by a reduction in purchases by virtually all the major traditional importers. Among exporters, Thailand is anticipated to witness a severe contraction of sales, owing to uncompetitive pricing, but still retain its leadership. Despite a slow start, Viet Nam is expected to keep deliveries unchanged from last year, remaining the second largest exporter. By contrast, shipments from India look set to surge, enough to make it into the third largest source of rice trade, ahead of Pakistan and the United States.

Global rice productions in both 2011 and 2012 are expected to outpace consumption for the seventh and eighth consecutive years. As a result, world rice stocks at the close of the 2011/2012 and 2012/2013 marketing seasons are forecast to increase, lifting the world stock-to-use ratio to new highs.

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World rice market at a glance

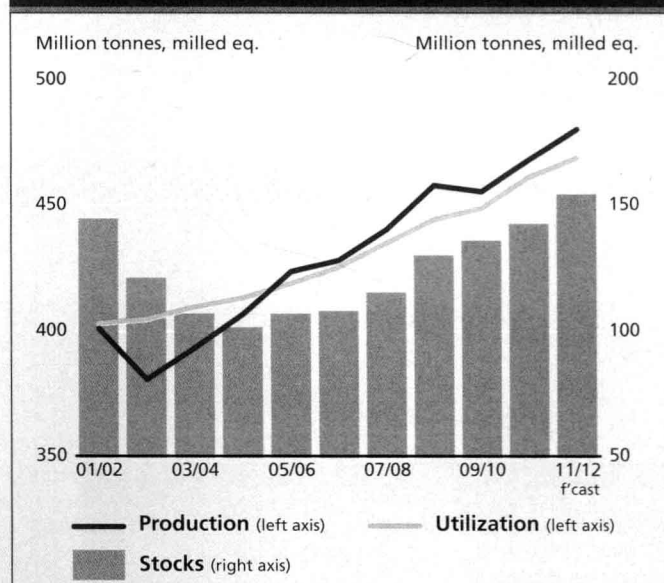
	2009/10	2010/11 estim.	2011/12 f'cast	Change: 2011/12 over 2010/11
	million tonnes			%
WORLD BALANCE				
Production	455.4	468.1	480.1	2.6
Trade ¹	31.5	35.2	34.3	-2.6
Total utilization	448.6	460.8	468.4	1.6
Food	382.4	389.3	395.9	1.7
Ending stocks	134.4	141.0	152.8	8.4
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	56.0	56.4	56.7	0.5
LIFDC (kg/year)	68.1	68.7	69.4	1.0
World stock-to-use ratio (%)	29.2	30.1	32.0	
Major exporters stock-to-disappearance ratio ² (%)				
	20.8	20.0	22.7	
FAO RICE PRICE INDEX (2002-2004=100)				
	2010	2011	2012 Jan-Apr	Change: Jan-Apr 2012 over Jan-Apr 2011 %
	229	251	233	-6.8

¹ Calendar year exports (second year shown).

² Major exporters include India, Pakistan, Thailand, the United States and Viet Nam.

More detailed information on the rice market is available in the FAO Rice Market Monitor which can be accessed at: <http://www.fao.org/economic/est/publications/rice-publications/rice-market-monitor-rmm/en/>

Rice production, utilization and stocks



Oilseeds market summary

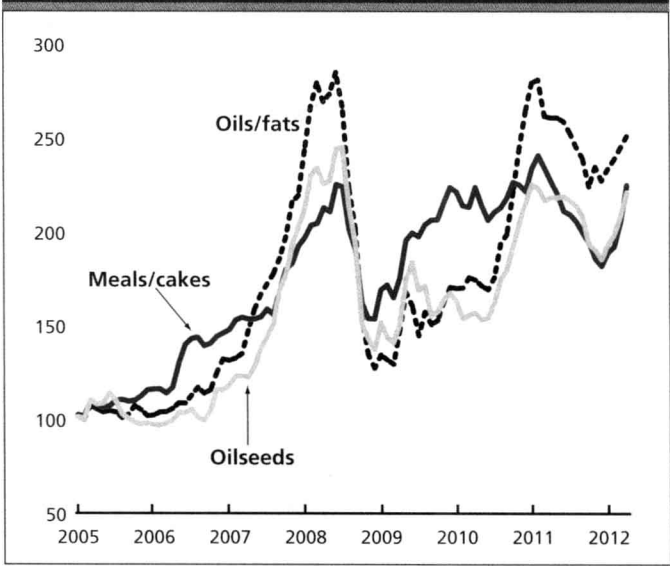
After two seasons of relatively ample supplies, in 2011/12, the market for oilseeds and derived products is set to tighten again. Global oilcrop production will not be sufficient to satisfy growing demand for oils and meals. Global soybean production is estimated to decrease by almost 10 percent, one of the steepest year-on-year falls on record. With oilcrops other than soybeans only partly compensating for the shortfall, total oilcrop production should drop by 4 percent from last season to a three-year low. Notwithstanding, a moderate growth in global oil supplies should be possible, thanks mainly to further expanding palm oil production and to the availability of large stocks at the beginning of the season. Global meal supplies, on the other hand, given their heavy dependence on soybeans, anticipate to experience a pronounced drop. With respect to demand, global consumption of oils/fats should continue expanding at an about average rate, which also reflects further rising demand from the biodiesel industry. By contrast, growth in meal consumption is expected to slow down markedly, as reduced supplies and rising meal prices are expected to curtail demand. In general, consumption growth could only be satisfied by drawing from inventories with a conspicuous reduction in global stocks of oils, and especially meals, likely to be necessary. This will push the global stock-to-use ratios for both product groups to historically low levels. Consequently, following the last few months' rise in international quotations for oilseeds and derived products, continued firmness in prices seems likely. Adding to market concerns is the prospect of only a modest, if any, growth in 2012/13 aggregate oilcrop plantings in the northern hemisphere, which would imply a strong reliance on South America for an improvement in the global supply situation.

World oilseed and product market at a glance

	2009/10	2010/11 <i>estim.</i>	2011/12 <i>f'cast</i>	Change: 2011/12 over 2010/11
	<i>million tonnes</i>			%
TOTAL OILSEEDS				
Production	456.7	468.0	450.9	-3.7
OILS AND FATS				
Production	172.6	179.9	181.9	1.1
Supply	196.4	208.8	212.5	1.8
Utilization	168.7	176.7	185.3	4.9
Trade	89.5	92.1	96.2	4.5
<i>Stock-to-utilization ratio (%)</i>	<i>16.5</i>	<i>17.4</i>	<i>14.8</i>	
MEALS AND CAKES				
Production	114.1	117.8	110.7	-6.0
Supply	128.2	136.9	131.9	-3.7
Utilization	107.4	113.6	116.0	2.1
Trade	67.2	69.9	70.5	0.9
<i>Stock-to-utilization ratio (%)</i>	<i>17.8</i>	<i>18.7</i>	<i>13.2</i>	
FAO PRICE INDICES (Jan-Dec) (2002-2004=100)				
	2010	2011	2012 <i>Jan-Apr</i>	Change: Jan-Apr 2012 over Jan-Apr 2011 %
Oilseeds	172	211	205	-7.2
Meals/cakes	217	212	203	-13.2
Oils/fats	194	252	242	-10.7

Note: Refer to table 11 for further explanation regarding definitions and coverage.

FAO monthly international price indices for oilseeds, oils/fats and meals/cakes (2002-2004=100)



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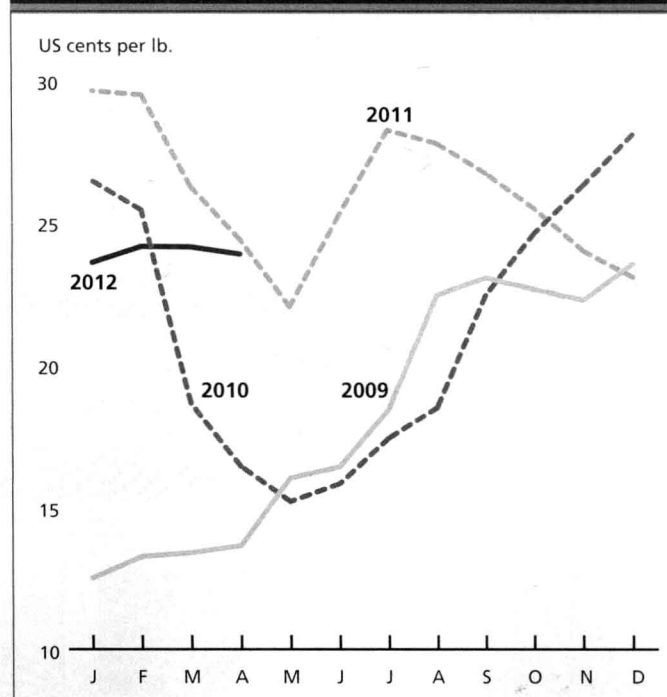
Sugar market summary

According to FAO's forecasts in 2011/12, world sugar production is set to increase by close to 8 million tonnes, or 4.6 percent over 2010/11. For the second consecutive year, production is anticipated to exceed consumption, with a surplus expected to hover around 5.4 million tonnes, helping to rebuild relatively low stock levels. The growth in sugar output is attributed to significant expansion in area and input use, prompted by strong international sugar prices for the past two years and a return to more normal weather patterns. A fall in sugar output in Brazil, the world's largest producer, is anticipated to be offset by expansions in other major producing countries, including India and, to a much larger degree, Thailand. World sugar consumption is set to grow by over 2 percent in 2011/12, boosted by lower expected domestic prices in several emerging and developing countries. However, large supply availabilities in several traditional importing countries and weak global economic prospects could dampen global import demand and result in a 3 percent decline in world sugar trade.

World sugar market at a glance

	2009/10	2010/11 <i>estim.</i>	2011/12 <i>f'cast</i>	Change: 2011/12 over 2010/11
	<i>million tonnes</i>			%
WORLD BALANCE				
Production	156.7	165.1	172.8	4.6
Trade	58.1	53.0	50.3	-5.2
Total utilization	162.6	163.7	167.4	2.2
Ending stocks	61.3	60.3	65.4	8.4
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	23.8	23.7	24.1	1.5
LIFDC (kg/year)	16.3	16.1	16.1	0.2
World stock-to-use ratio (%)	37.7	36.8	39.0	
ISA DAILY PRICE AVERAGE (US cents/lb.)				
	2010	2011	2012 <i>Jan-Apr</i>	Change: Jan-Apr 2012 over Jan-Apr 2011 %
	21.3	26.0	23.8	-13.3

International Sugar Agreement (ISA)



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Meat and meat products market summary

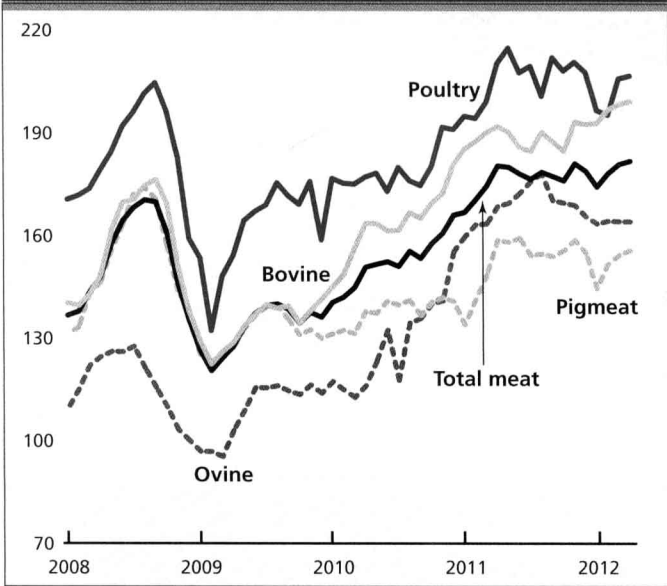
Driven exclusively by gains in poultry and pigmeat production, global meat output is set to expand by nearly 2 percent to 302 million tonnes in 2012. Most of the sector growth is likely to originate in the developing countries, as developed countries may witness a second year of slipping output as profitability stumbles in the face of high input costs, stagnating domestic meat consumption and severe competition from developing countries. The struggle for markets is expected to intensify in 2012 as increased production in key importing countries slows down global meat trade expansion. This, combined with limited supplies in developed exporting countries, is shifting international market shares towards developing countries, in particular Brazil and India.

Drought in the United States, the major world meat exporter, and limited animal numbers in other exporting countries have kept international meat prices at near record levels in the first quarter of 2012. At 182 points in April, the FAO meat price index was up from March, supported by persistent gains in bovine and pigmeat prices. Slowing global import demand and two years of stagnating consumption in developed countries may imply less price pressure in 2012; however, meat production this year will hinge critically on feed prices and the animal disease situation.

World meat market at a glance

	2010	2011 <i>estim.</i>	2012 <i>f'cast</i>	Change: 2012 over 2011
	<i>million tonnes</i>			%
WORLD BALANCE				
Production	294.6	297.2	302.0	1.6
Bovine meat	67.5	67.5	67.5	-
Poultry meat	98.2	101.6	103.5	1.8
Pigmeat	109.9	109.0	111.7	2.6
Ovine meat	13.5	13.5	13.6	0.9
Trade	26.6	28.5	29.2	2.4
Bovine meat	7.7	7.8	8.1	4.0
Poultry meat	11.6	12.6	13.0	3.1
Pigmeat	6.2	7.1	7.0	-0.7
Ovine meat	0.8	0.7	0.7	1.4
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	42.5	42.3	42.5	0.5
Developed (kg/year)	79.2	78.9	78.4	-0.5
Developing (kg/year)	32.4	32.3	32.8	1.5
FAO MEAT PRICE INDEX (2002-2004=100)				
	2010	2011	2012 <i>Jan-Apr</i>	Change: Jan-Apr 2012 over Jan-Apr 2011 %
	152	157	179	3.3

FAO international meat price indices (2002-2004 = 100)



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Milk and milk products market summary

Prices of dairy products began to decline in mid-2011, as supplies to the international market improved. In April, after a favourable outcome of the milk-producing season in the Southern Hemisphere and an equally positive opening of the season in the Northern Hemisphere, prices registered a further fall. The price slide reflected a rise in export availability but also a fall in the value of the euro against the US dollar. Yet, in spite of the recent drop, international prices for dairy products remain well above historical averages.

With publicly financed inventories at minimal levels in the EU and the United States, the market is particularly sensitive to sudden changes in milk production and the availability of milk products. Nonetheless, the positive supply outlook for the rest of 2012 is likely to translate into further downward pressure on prices.

World milk production in 2012 is forecast to grow by 2.7 percent to 750 million tonnes. Asia is expected to account for most of the increase, but higher output is anticipated in most regions.

World trade in dairy products is foreseen to continue expanding in 2012. Demand remains firm, with imports anticipated to reach 52.7 million tonnes of milk equivalent. Asia will continue to be the main market, followed by North Africa, the Middle East, and Latin America and the Caribbean. Growing world import demand is expected to be met mainly through pasture-based milk supplies from Oceania and South America.

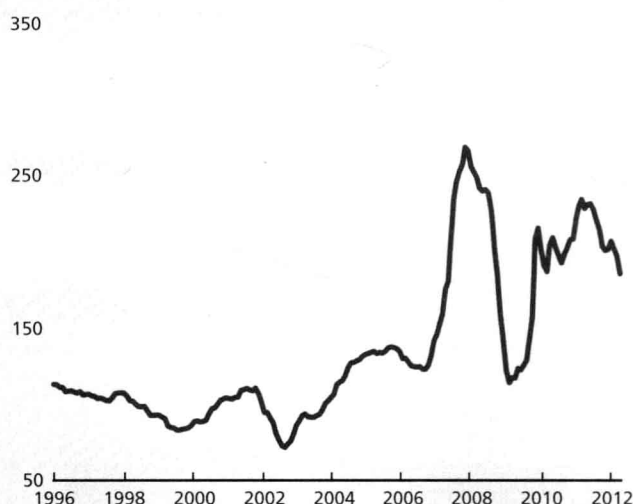
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World dairy market at a glance

	2010	2011 <i>estim.</i>	2012 <i>f'cast</i>	Change: 2012 over 2011
	<i>million tonnes, milk equiv.</i>			<i>%</i>
WORLD BALANCE				
Total milk production	713.6	730.1	750.1	2.7
Total trade	47.8	50.7	52.7	4.0
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	103.3	104.5	106.1	1.6
Developed (kg/year)	233.4	234.3	237.8	1.5
Developing (kg/year)	67.8	69.5	71.1	2.2
Trade share of prod. (%)	6.7	6.9	7.0	1.2
FAO DAIRY PRICE INDEX (2002-2004=100)				
	2010	2011	2012 <i>Jan-Apr</i>	Change: Jan-Apr 2012 over Jan-Apr 2011 <i>%</i>
	200	221	198	-13.4

FAO international dairy price index (2002-2004=100)



The index is derived from a trade-weighted average of a selection of representative internationally traded dairy products.

Fish and fishery products market summary

Sustained demand for fish and fishery products is boosting aquaculture production worldwide and pushing prices higher, despite some consumer resistance in the more traditional markets in southern Europe. Overall production for the year is expected to grow by 2.1 percent to 157.3 million tonnes, thanks to a 5.8 percent increase in aquaculture output that more than offset a small decline in capture fisheries following limitations on catches of small pelagic species in the Pacific.

Behind the strong demand for fish lies an increase in average per capita food fish consumption, which grew by 1.1 percent in 2011 and is expected to rise by a further 2.6 percent in 2012, reaching 19.2 kg per year. Most of this increase is being met by fish from aquaculture production, but with less fish used for feed during 2012, capture fisheries will also contribute to the growth in fish consumption as food.

International trade is expected to increase by 9.4 percent in 2012, implying a slowing down compared with trade growth in 2011.

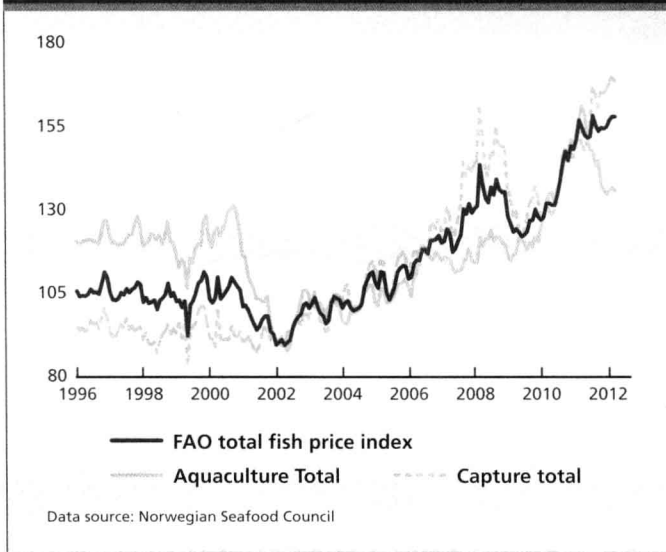
Prices have increased over the last three quarters, especially for captured species such as tuna, herring, mackerel and squid. Farmed fish prices have been mixed, salmon is down from 2011, while lower production of farmed shrimp has boosted shrimp prices. The FAO Fish Price Index was up 12.4 percent last year and is expected to increase further.

World fish market at a glance

	2010	2011 <i>estim.</i>	2012 <i>f'cast</i>	Change: 2012 over 2011
	<i>million tonnes</i>			%
WORLD BALANCE				
Production	148.5	154.0	157.3	2.1
Capture fisheries	88.6	90.4	90.0	-0.4
Aquaculture	59.9	63.6	67.3	5.8
Trade value (exports USD billion)	108.6	126.1	138.0	9.4
Trade volume (live weight)	56.7	58.5	60.2	2.9
Total utilization	148.5	154.0	157.3	2.1
Food	128.3	130.8	135.7	3.7
Feed	15.0	18.2	16.6	-8.5
Other uses	5.1	5.0	5.0	0.0
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
Food fish (kg/year)	18.6	18.8	19.2	2.6
From capture fisheries (kg/year)	9.9	9.6	9.7	0.6
From aquaculture (kg/year)	8.7	9.1	9.5	4.6
FAO FISH PRICE INDEX¹ (2002-2004=100)				
	2010	2011	2012 <i>Jan-Apr</i>	Change: Jan-Apr 2012 over Jan-Apr 2011 %
	137	154	157	2.8

¹ Data source: Norwegian Seafood Council

FAO fish price index (2002-2004 = 100)



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Market assessments

WHEAT

PRICES

Large supplies put downward pressure on prices

International wheat prices during the first half of the year remained firm but below the corresponding period last year. Large export supplies continued to weigh on wheat quotations but price declines were restrained by strong demand from the feed sector because of the continuing tightness in global maize supplies. The benchmark **US No.2 Hard Red Winter, f.o.b. Gulf** averaged USD 280 per tonne in April, down 5 percent from the beginning of year and 23 percent lower than in April 2011.

In the **futures market**, soft red winter (SRW) prices at the Chicago Board of Trade (CBOT) fell even below the CBOT maize values on several occasions in recent months. This development, combined with the general narrowing of the price spread between wheat and maize witnessed since the start of the 2011/12 season, increased the appeal for wheat over maize in feed rations. Looking ahead, wheat futures for September delivery remained considerably below their levels in the corresponding period last year and in late April, Chicago wheat futures had averaged USD 240 per tonne, down 4 percent from the start of the year. In spite of the forecast decline in world wheat production this year, the expectation of continued ample stocks, combined with the anticipated strong recovery in maize supplies, is likely to keep wheat prices under downward pressure.

PRODUCTION

Smaller wheat harvest expected in 2012

FAO's latest forecast of global wheat production in 2012 stands at 675 million tonnes, 15 million tonnes down from the first tentative prediction in March and 3.6 percent down from last year's near record crop, but still well above the average of the past five years. Although plantings increased, or are forecast to increase, in many countries in response to continuing high prices, indications earlier this year already pointed to a slight decline in output as a return to normal yields was expected in areas where record highs were achieved last year. However, as the seasons advance, latest information now shows a much more pronounced decrease, largely because the impact of unfavourable winter weather in some major producing parts of Europe, particularly in the east, has been more severe than expected. Persisting drought also slashed prospects in **Morocco** in North Africa while the outlook for the spring crop planting in Central Asia worsened due to prolonged dryness.

In **North America**, latest indications for wheat production in the **United States** confirmed a strong recovery from the below-average 2011 crop. The country's all-wheat area in 2012 is officially forecast to increase by some 3 percent from 2011. The condition of the winter wheat crop as of early April was reported to be much better than in the preceding year, largely reflecting better moisture availability in the Central and Southern Plains compared to the drought situation of a year ago. Assuming normal conditions until harvest, the aggregate 2012 wheat output is forecast at 59 million tonnes. In **Canada**, prospects for the main spring wheat crop planting, underway as of March,

Figure 1. Wheat export price (US no. 2 H.W. Gulf)

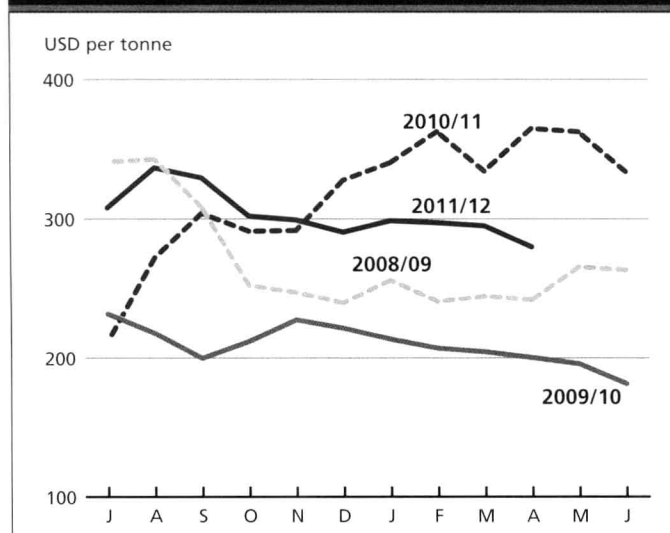
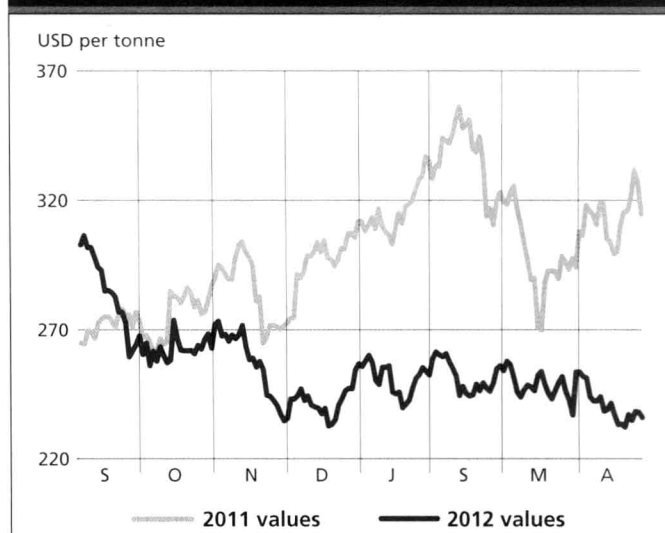


Figure 2. CBOT wheat futures for September



have improved following good precipitation across many major producing areas where earlier dryness had been a concern. The improved planting conditions will make it easier for farmers to realize reported intentions to expand the area sown significantly, bringing back into production land that was too wet to plant last spring.

In the **EU**, although winter crop plantings were estimated to have increased slightly, severe winter weather caused higher than normal losses in many parts, resulting in a decrease in expectations for the final harvested area. Poland was hit hardest, but parts of France, Germany, Czech Republic, Bulgaria and Hungary are also reported to have been significantly affected. The destroyed winter wheat areas may be replanted with other crops this spring but in some cases, as reported in Poland, lack of inputs may see them remaining unsown. On the positive side, abundant widespread rainfall arrived in early April throughout many parts of the EU that were suffering from prolonged dryness such as in the United Kingdom, Germany and Poland in the north, Spain and Italy in the Mediterranean region, and Romania in the east. However, in the driest areas, much more rain will be needed during the growing season to avoid significant loss of yield potential. Based on information as of mid-April, and assuming normal conditions for the remainder of the season, total EU production is now forecast at 135 million tonnes, about 2 percent below last year's level.

In the **Russian Federation**, latest indications point to a marginal rise in production of wheat in 2012, largely reflecting an increase in plantings. Most crops were protected by ample covering of snow during the winter so about average levels of winterkill could be expected, despite severely cold periods. Assuming normal growing conditions for the remainder of the season, output is forecast at 56.8 million tonnes, 1 percent up from 2011. By contrast, in **Ukraine**, a sharp decline in wheat output is expected. This reflects particularly adverse conditions this season, with some major producing areas severely affected by drought since the planting period last autumn, while winterkill has been more pronounced than normal due to severe low temperatures and limited snow cover. The most affected areas are expected to be replanted with other crops this spring. With the harvested area forecast to fall sharply and lower yields expected, production is forecast at 14 million tonnes, nearly 40 percent below last year's bumper crop and well below the average of the past five years.

In **Asia**, harvesting of the 2012 wheat crops in the **Far East** subregion is already underway and prospects are mostly good in the main producing countries following generally favourable precipitation and normal temperature during the growing stage. In **China**, although growing conditions

Table 1. World wheat market at a glance

	2010/11	2011/12 estim.	2012/13 f'cast	Change: 2012/13 over 2011/12
	million tonnes			%
WORLD BALANCE				
Production	655.6	700.0	675.1	-3.6
Trade ¹	124.6	137.4	135.0	-1.7
Total utilization	664.1	690.7	686.5	-0.6
Food	468.0	473.5	475.5	0.4
Feed	120.8	138.9	133.8	-3.7
Other uses	75.2	78.3	77.3	-1.3
Ending stocks	188.2	195.3	182.7	-6.5
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	67.7	67.7	67.5	-0.3
LIFDC (kg/year)	49.9	50.3	50.4	0.2
World stock-to-use ratio (%)	27.2	28.4	26.3	
Major exporters stock-to-disappearance ratio ² (%)				
	19.8	20.3	18.6	
FAO WHEAT PRICE INDEX ³ (2002-2004=100)				
	2010	2011	2012 Jan-Apr	Change: Jan-Apr 2012 over Jan-Apr 2011 %
	169	222	193	-19.9

¹ Trade refers to exports based on a common July/June marketing season.

² Major exporters include Argentina, Australia, Canada, EU, Kazakhstan, Russian Fed., Ukraine and the United States.

³ Derived from International Grains Council (IGC) wheat index.

Table 2. Wheat production: leading producers¹

	2011 estim.	2012 f'cast	Change: 2012 over 2011
	million tonnes		%
European Union	137.9	135.0	-2.1
China (Mainland)	117.9	115.5	-2.0
India	86.9	88.3	1.6
United States	54.4	59.0	8.5
Russian Federation	56.2	56.8	1.1
Australia	29.5	26.0	-11.9
Canada	25.3	26.1	3.2
Pakistan	24.3	24.0	-1.2
Turkey	21.8	19.4	-11.0
Ukraine	22.3	14.0	-37.2
Kazakhstan	22.7	14.5	-36.1
Iran Islamic Rep. of	14.0	13.5	-3.6
Argentina	13.4	13.0	-3.0
Egypt	8.4	8.5	1.2
Uzbekistan	6.4	6.5	1.6
Other countries	58.6	55.0	-6.1
World	700.0	675.1	-3.6

¹ Countries listed according to their position in global production (average 2010-2012).

have been generally satisfactory and no significant change in area was reported, output is expected to fall by 2 percent from last year's record harvest, reflecting a return to average yields after last year's bumper levels. In **India**, an early official estimate puts this year's wheat harvest at a record 88.3 million tonnes, reflecting relatively good availability of irrigation water, fertilizer and other inputs. In **Pakistan**, despite an increase in area, a return to closer to average yields is forecast to result in a total harvest of about 24 million tonnes in 2012, slightly below the 2011 record level. In the **Asian CIS** subregion, **Kazakhstan** is the major wheat producer and the bulk of the crop is spring sown in April to May. The area planted is officially forecast at 13.5 million hectares, slightly down from 2011, given that large wheat surpluses still exist after the record harvest last year and thus it is anticipated that land will be diverted to alternative crops. The final area planted could be further reduced due to inadequate soil moisture following dry weather in autumn and winter. Lower plantings, combined with a return to average yields after high levels last year, are likely to result in a significantly smaller output this season. In the **Near East**, favourable prospects for the winter wheat crop are reported, reflecting ample moisture reserves from winter precipitation. In **North Africa**, wheat crop prospects are mixed: the outlook is unfavourable in **Morocco**, where severe drought has sharply reduced yield prospects, but more favourable in **Algeria** and **Tunisia**, reflecting ample moisture supplies.

In the Southern Hemisphere, the bulk of the winter wheat planting is due to get underway in May in **Australia**. Early indications point to reduced plantings after a particularly large area last year and because of expectations that wheat will be less profitable this year relative to other major crops.

Furthermore, with yields expected to return to average levels after last year's highs, output in 2012 is tentatively forecast to fall to about 26 million tonnes. In **South America**, where wheat sowing takes place from May to September, early indications point to a decline in plantings in **Argentina**, as farmers are expected to switch land to other crops anticipated to be more profitable this year, barley in particular. In **Brazil**, while plantings are expected to remain around last year's levels, a return to average yields after high levels in 2011 will likely lead to a smaller crop in 2012 although still close to average.

TRADE

Wheat trade to contract in 2012/13

FAO's first forecast for world wheat trade exports in 2012/13 (July/June) stands at 135 million tonnes, down 1.7 million tonnes from 2011/12 and 4.6 million tonnes from the all time high of 139.7 million tonnes in 2008/09. The anticipated contraction in wheat imports in 2012/13 mainly reflects smaller purchases by several Asian countries.

Total wheat imports by **Africa** are forecast at 39.6 million tonnes, unchanged from 2011/12. In North Africa, imports by **Algeria**, **Egypt** and **Tunisia** may decrease slightly but purchases by **Morocco** could surge by 1.5 million tonnes, because of the anticipated decline in domestic production following prolonged dry conditions. The country has already extended the suspension of import duties on soft wheat to the end of April 2012 and of durum to the end of May 2012. Total imports in sub-Saharan Africa are expected to decline, mostly on smaller imports by **Nigeria**, the subregion's largest importer, given the country's drive to

Figure 3. Wheat imports by region

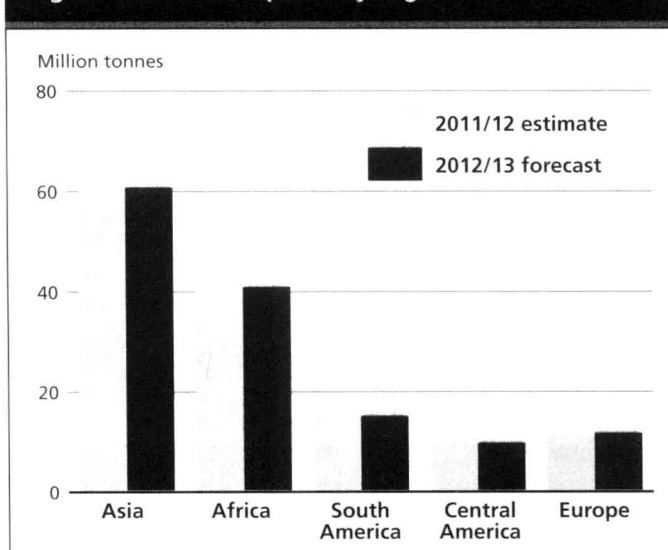
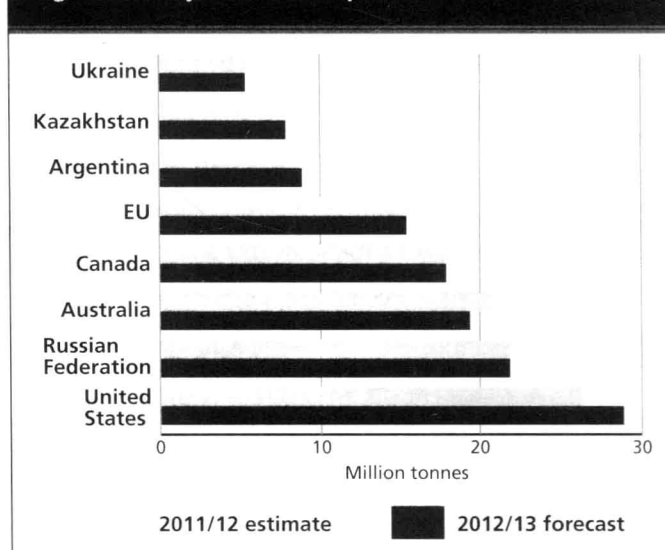


Figure 4. Major wheat exporters



increase the use of cassava flour in bread production as well as the introduction of new measures to limit wheat flour imports.

In **Asia**, aggregate imports in 2012/13 are forecast at 59 million tonnes, down 2.5 million tonnes from 2011/12. Smaller purchases are anticipated for the **Islamic Republic of Iran**, where carryovers from large imports during the second half of the 2011/12 season could result in lower imports in 2012/13 despite the anticipated reduction in domestic production this year. Wheat imports by **Japan** and the **Republic of Korea** are also expected to decline mainly because of larger purchases of coarse grains, the global supply of which is likely to improve in the new season.

In **Latin America and the Caribbean**, total imports in 2012/13 are forecast to remain at around the same level as in 2011/12, or around 22 million tonnes. Imports by **Brazil**, the region's largest wheat importer, are forecast to increase due to expectation of a slight reduction in this year's production. However, deliveries to **Mexico**, the second largest wheat importer in the region, could remain at around the same high levels as in 2011/12 due to another below-average production season resulting from drought.

Elsewhere, imports in **Europe** are forecast to rise, mostly on larger purchases of feed wheat by the **EU**. Given the expectation of a drop in the EU wheat production in 2012 but ample supplies of wheat in the nearby Black Sea region, imports could reach 8 million tonnes, the highest in a decade.

World wheat export supplies in 2012/13 are expected to prove as adequate as in 2011/12, especially in view of the projected contraction in import demand. Given the anticipated recovery in wheat production in the United States, exports from the **United States** are forecast to increase most, compensating for declines in shipments from **Australia**, **Kazakhstan** and the **EU**. Exports from **Canada**, the **Russian Federation** and **Ukraine** are likely to remain at around the same levels as in 2011/12 but larger shipments are forecast for **India**, given the large size of carryover stocks and anticipation of yet another record crop this year.

UTILIZATION

Utilization to decline in 2012/13 from the exceptionally high levels in 2011/12

Following strong growth in wheat utilization in 2011/12, driven by an exceptional increase in feed use of wheat, total wheat utilization in 2012/13 is likely to decline slightly to 686 million tonnes, which would still exceed the 10-year trend. World utilization of wheat for **direct human consumption** is expected to amount to 475 million tonnes, up somewhat

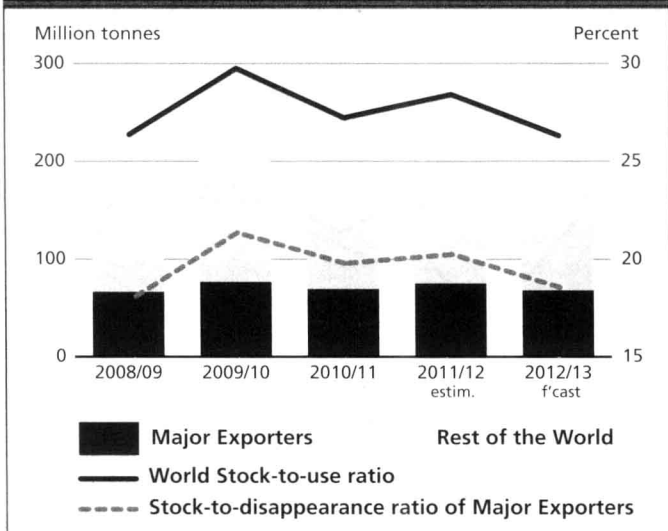
from 2011/12 and accounting for 69 percent of the total wheat use. At this level, world wheat consumption, on a per capita basis, would be steady at around 67.5 kg per annum. Per capita wheat consumption is expected to remain at around 60 kg in the developing countries and at 97.5 kg in the developed countries. At the same time, total **feed utilization** of wheat is forecast to contract by almost 4 percent to 134 million tonnes. This decline comes after a robust 15 percent expansion in 2011/12, caused primarily by competitive feed wheat prices compared to maize. The anticipated strong recovery in coarse grain supplies, maize in particular, is the reason for a return of feed wheat utilization to more normal levels. The biggest declines in feed usage of wheat in 2012/13 are expected in the United States and the EU, the latter representing the world's leading user of wheat for animal feed. The **other uses** of wheat which include industrial use, seeds and post-harvest losses, are projected to remain at the same level as in 2011/12, at around 78 million tonnes, with a slight increase in industrial use offsetting declines in post-harvest losses.

STOCKS

Wheat inventories to decline sharply in 2013 while remaining relatively high

World **wheat stocks** are forecast to decline by 6.5 percent, or 12.5 million tonnes, to reach 183 million tonnes by the close of the 2013 crop seasons. The biggest declines are projected for **China** (- 5 million tonnes), **Ukraine** (- 3.6 million tonnes), the **Russian Federation** (- 3.2 million tonnes), **Australia** (- 900 000 tonnes), **Kazakhstan** (- 700 000 tonnes) and **Morocco** (- 700 000 tonnes) more

Figure 5. Wheat stocks and ratios



than offsetting increases in a few countries, most notably in the **US** (+1.9 million tonnes), **India** (+ 1 million tonnes) and **Brazil** (+ 600 000 tonnes).

The anticipated contraction of stocks next season follows a likely replenishment of almost 4 percent in the current season ending in 2012. The main reason for the drawdown is the anticipated sharp fall in world production this year. FAO's earlier forecasts pointed to a smaller drop in world production and an increase in the level of stocks because total supplies were seen to exceed utilization in 2012/13. However, based on the latest forecast for world wheat production in 2012 – down 3.6 percent from 2011 – stocks would need to be drawn down significantly, even after taking into account the anticipated reduction in total wheat utilization in 2012/13. At the current forecast level, world inventories would exceed the three-decade low of 140 million tonnes in 2008 but the world **wheat stocks-to-use ratio** could drop to 26.3 percent, from 28.4 percent estimated in 2011/12.

More notably, the ratio of **major wheat exporters' closing stocks to their total disappearance** – defined as domestic utilization plus exports – could fall to 18.6 percent in 2012/13 from 20.3 percent in the current season.¹ Nonetheless, the projected ratio is almost 6 percentage points higher than the 2007/08 season when prices surged in world markets, and also above the 5-year average of 17.3 percent. The fact that this ratio would still stand at a relatively comfortable level indicates that supplies in major

¹ Starting with this report, the definition of major wheat exporters is revised and the major exporters group now includes Kazakhstan, the Russian Federation and Ukraine in addition to the five traditional exporters, Argentina, Australia, Canada, EU and the United States.

exporting countries are adequate to meet not only their own domestic consumption but also the world import demand in 2012/13.

COARSE GRAINS

PRICES

Prices remain firm but could decline on improved supply prospects

Tight old-crop (2011) supplies continued to underpin prices in coarse grain markets with maize trading at a premium to wheat for much of last year. In 2011, international prices remained well above 2010 levels. While prices fell somewhat during the second half of 2011, following the arrival of large supplies of wheat, they remained mostly firm before gaining some strength in early 2012. The benchmark **US maize prices (yellow, No. 2, f.o.b.)** averaged USD 273 per tonne in April, up 5 percent from December 2011, but down 15 percent from April last year. In addition to abundant wheat supplies this season, stagnating maize-based ethanol production also helped limit the price rise, in spite of historically low maize inventories in the United States, the world's largest maize producer.

Looking ahead, however, markets are anticipating a rebound in supply after major harvests in 2012 are complete, especially in the United States where – according to the March USDA Prospective Plantings report – plantings are forecast to be up 4 percent over 2011 and 9 percent over 2010. The anticipated increase in plantings in the United States is driven by expectation of higher returns, in comparison to soybeans (Figure 8).

Figure 6. Maize export price (US no. 2 yellow, Gulf)

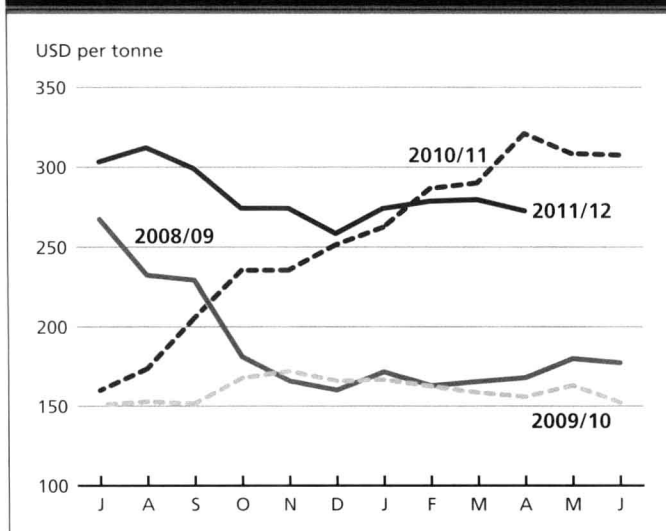


Figure 7. CBOT maize futures for December

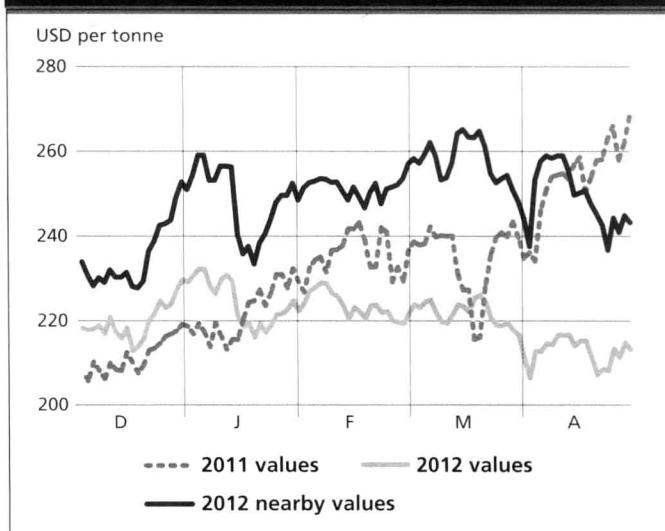


Table 3. World coarse grain market at a glance

	2010/11	2011/12 estim.	2012/13 f'cast	Change: 2012/13 over 2011/12
	million tonnes			%
WORLD BALANCE				
Production	1 130.1	1 163.9	1 207.3	3.7
Trade ¹	121.6	121.3	126.0	3.9
Total utilization	1 150.5	1 165.6	1 193.7	2.4
Food	202.0	204.0	206.7	1.3
Feed	631.0	638.7	660.2	3.4
Other uses	317.5	322.9	326.8	1.2
Ending stocks	171.4	167.1	177.1	6.0
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	29.3	29.2	29.4	0.7
LIFDC (kg/year)	41.4	40.9	41.4	1.2
World stock-to-use ratio (%)	14.7	14.0	14.3	
Major exporters stock-to-disappearance ratio ² (%)	10.6	9.7	11.0	
FAO COARSE GRAIN PRICE INDEX (2002-2004=100)				
	2010	2011	2012 Jan-Apr	Change: Jan-Apr 2012 over Jan-Apr 2011 %
	176	277	262	-4.7

¹ Trade refers to exports based on a common July/June marketing season.
² Major exporters include Argentina, Australia, Brazil, Canada, EU, Russian Fed., Ukraine and the United States.

Against this background, **CBOT maize futures for December delivery** have been falling in recent weeks, with nearby prices, which at this time of the year reflect old-crop supply situation, higher than deferred prices (in this case December), which reflect new crop prospects (Figure 7). The maize futures for December 2012 delivery averaged USD 213 per tonne in April, down 17 percent from the December 2011 futures cast in April last year and 13 percent lower than the April average for the nearby (July) delivery. Although prices will be influenced by weather conditions during critical periods of the growing season, especially in July when pollination is required, the trend in December values underscores the possibility of a decline in prices from their current high levels.

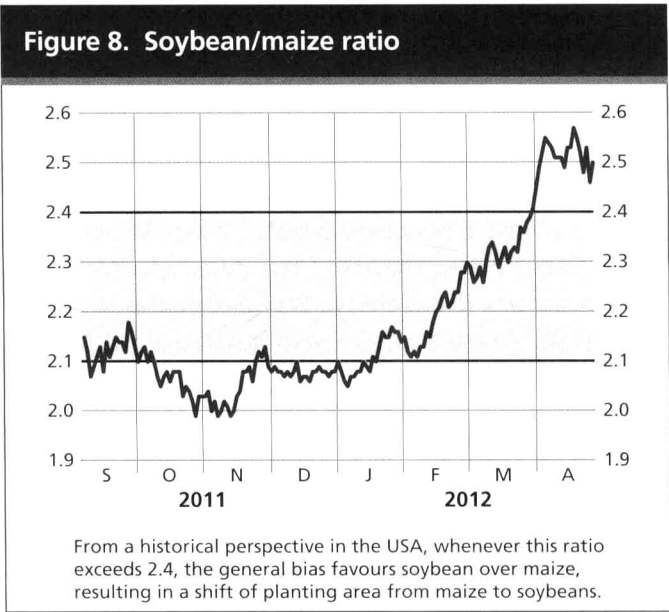
PRODUCTION

Global output of coarse grains in 2012 set to reach a new record
FAO's first forecast for world production of **coarse grains** in 2012 stands at about 1 207 million tonnes, 3.7 percent up from last year's record of 1 164 million tonnes. The bulk

Table 4. Coarse grain production: leading producers¹

	2011 estim.	2012 f'cast	Change: 2012 over 2011
	million tonnes		%
United States	324.0	358.6	10.7
China (Mainland)	201.1	199.3	-0.9
European Union	148.5	149.1	0.4
Brazil	59.0	68.3	15.8
India	42.1	41.1	-2.4
Argentina	31.9	28.2	-11.6
Russian Federation	34.2	34.3	0.3
Ukraine	33.5	33.4	-0.3
Mexico	26.7	29.0	8.6
Canada	21.9	24.8	13.2
Nigeria	22.3	22.8	2.2
Indonesia	17.6	17.7	0.6
Ethiopia	17.1	15.2	-11.1
Australia	13.4	12.7	-5.2
South Africa	11.5	12.2	6.1
Other countries	159.1	160.6	0.9
World	1 163.9	1 207.3	3.7

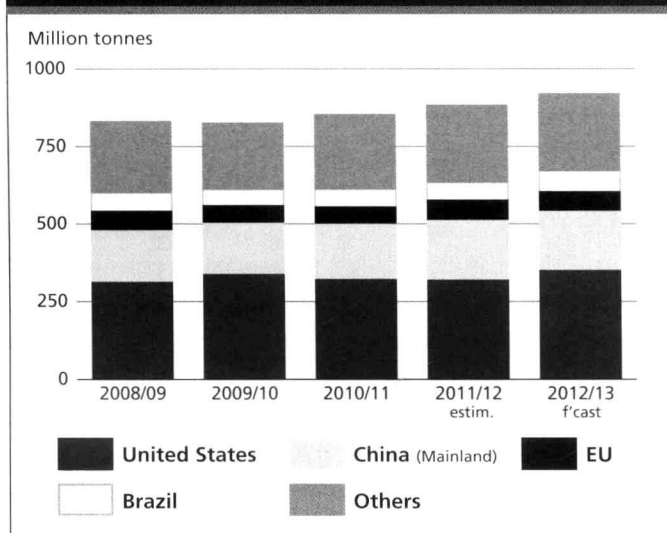
¹ Countries listed according to their position in global production (average 2010-2012).



of the increase is anticipated in the **United States**, the world's largest producer, where record maize plantings are forecast, but also in **Brazil**, where the main crop harvest is already underway and a sharp increase in maize production is expected this year.

Global output of **maize** in 2012 is forecast at some 916 million tonnes, up 4.1 percent from 2011. In the **United States**, the 2012 planting season got off to an early start in the southern states under favourable conditions. According to the USDA Prospective Plantings report issued at the

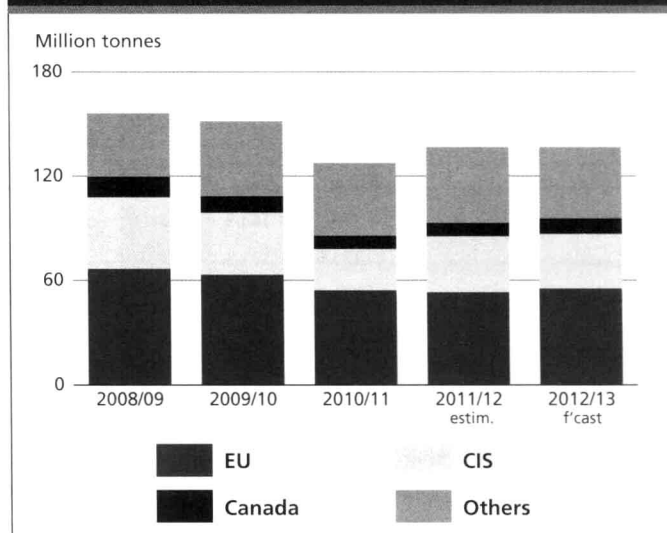
Figure 9. Maize production



end of March, farmers are expected to plant 38.8 million hectares, the biggest area of maize since 1937, and up some 4.3 percent from 2011, largely in response to relatively tight supplies and the prospect of good returns. Assuming these planting intentions materialize and normal conditions prevail throughout the season, US output of maize in 2012 is tentatively forecast to reach a record 345 million tonnes. In **China**, the world's second largest maize producer, production is expected to remain close to last year's record, at around 190 million tonnes. Even assuming yields return to average levels after last year's highs, this could be largely offset by an increase in area, as farmers are expected to plant more maize in response to firm price prospects. In the **EU**, maize plantings are forecast to increase this year, and may increase more than anticipated, given the latest indications that a larger-than-expected area of winter wheat has been destroyed and will be replanted with spring crops. However, assuming a return to average yields after high levels last year, output is expected to decrease by about 4 percent to 64 million tonnes.

In the Southern Hemisphere, the main 2012 maize harvests are already complete or in the final stages. In **South America**, **Brazil's** aggregate maize output in 2012 is forecast at a record 66 million tonnes, up 17 percent from the previous high in 2011, driven by a sharp increase in aggregate plantings, which more than offset the negative impact of prolonged dry weather for the main crop in the key southern growing areas of Rio Grande do Sul and Paraná. By contrast, in **Argentina**, the 2012 maize output is forecast at 20.3 million tonnes, down 11 percent from the record level of 2011, due to the adverse affects of prolonged dry weather. In **southern Africa**, prospects for

Figure 10. Barley production



the current main coarse grains season are mixed. In **South Africa**, the largest producer in the subregion, a 7 percent increase in output to 11.7 million tonnes is forecast, with larger plantings more than offsetting a drop in yields due to a protracted period of below-normal rains since the start of 2012. Elsewhere in the subregion, smaller maize harvests are expected in **Malawi**, **Zambia**, and **Zimbabwe**, on account of dry weather and an estimated drop in the area planted. Following generally favourable weather in **Mozambique** and **Namibia**, production similar to the good outturns in 2011 is anticipated, while current prospects point to an improved output in **Angola** (except in coastal areas due to a dry spell) following the poor output in 2011. Erratic rains at the start of planting and uneven distribution during the cropping season are likely to lead to a drop in production in the import-dependent countries of **Swaziland**, **Lesotho** and **Botswana**.

World output of **barley** in 2012 is forecast to remain virtually unchanged in 2012, at about 136 million tonnes. Among the major barley producing countries, significant declines expected in North Africa and CIS Asia could be mostly offset by increased outputs in the EU and North America. In the **EU**, the aggregate barley area is expected to rise compared to 2011, largely reflecting an expansion of spring plantings, especially where winter crops have been damaged and re-sowing will take place. Assuming normal conditions, EU's output is forecast to rise by about 4 percent, to 54 million tonnes. In the **United States**, planting intentions point to a sizeable increase in barley cultivation and a larger crop is expected. Likewise, in **Canada**, plantings are expected to increase sharply, recovering from a reduced area last year, with production forecast to rise by 15 percent