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Committee on Agriculture

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**REPORT TO THE 100<sup>TH</sup> MEETING OF THE WTO COMMITTEE ON AGRICULTURE  
15-16 MARCH 2022**

**NET FOOD-IMPORTING DEVELOPING COUNTRIES (NFIDCS)**

*Submission by FAO*

The following submission, dated 11 March 2022, is being circulated at the request of the Food and Agriculture Organization (FAO).

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## **1 BACKGROUND**

1.1. The magnitude and severity of food crises worsened in 2020, as protracted conflict, economic downturns from COVID-19, and weather shocks contributed to one of the largest increases in world hunger in decades, affecting almost all low- and middle-income countries. In 2020, world hunger increased in the range of 118 to 161 million people from the level in 2019. Undernourishment grew by about 46 million people in Africa, 57 million in Asia, and about 14 million in Latin America and the Caribbean in 2020.<sup>1</sup> In 2020, 155 million people in 55 countries lived in a food crisis, according to the 2021 *Global Report on Food Crises* report.<sup>2</sup> Rising undernourishment was largely driven by falling incomes as the result of the economic recession caused by the COVID-19 pandemic and measures implemented to halt its spread. With lower employment and earnings in both formal and informal sectors, the pandemic eroded the ability to purchase food for many people around the world, and in particular in developing countries.

1.2. According to the latest FAO-WFP Hunger Hotspots report<sup>3</sup>, 18 out of the 20 identified countries that are expected to face increased levels of food insecurity are NFIDCs. The countries with the highest numbers of people facing acute food insecurity (those in IPC Phase 3 and above) are: Democratic Republic of the Congo (25.9 million); Afghanistan (22.8 million); Nigeria (18.1 million); Ethiopia (16.8 million); and Yemen (16.2 million). Conflicts are considered the primary factor driving the high levels of food insecurity. Conditions in these countries have also been aggravated by the COVID-19-associated economic downturns, with households experiencing income losses, while also facing high food prices. Weather shocks have also adversely affected agricultural production in a number of these countries, contributing to reduced availability of food.

## **2 CEREAL SUPPLY AND DEMAND**

2.1. According to the latest FAO estimates, world production of cereals in 2021 stood at 2,796 million tonnes, 0.7% higher from the previous year. Global production of wheat is expected to reach 775.4 million tonnes, 0.1% lower year-on-year. The forecast for global coarse grains, including maize, barley and sorghum, is pegged at 1,501 million tonnes, 1.2% higher than last year.

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<sup>1</sup> FAO, IFAD, UNICEF, WFP and WHO. 2021. The State of Food Security and Nutrition in the World 2021. Transforming food systems for food security, improved nutrition and affordable healthy diets for all. Rome, FAO. <https://doi.org/10.4060/cb4474en>.

<sup>2</sup> FSIN and Global Network Against Food Crises. 2021. Global Report on Food Crises 2021. Rome. <https://www.fao.org/resilience/resources/resources-detail/en/c/1398545/>.

<sup>3</sup> WFP and FAO. 2022. Hunger Hotspots. FAO-WFP early warnings on acute food insecurity: February to May 2022 Outlook. Rome. <https://doi.org/10.4060/cb8376en>.

Similarly, global rice production is headed towards an all-time high in 2021, sustained by yield improvements and a slight area increase in Asia.

2.2. World cereal utilization in 2021/22 is expected to be 2,802 million tonnes, 41 million tonnes above the 2020/21 level. This reflects year-on-year increases in wheat utilization by 1.5% y/y to 772.8 million tonnes and a 1.4% increase in coarse grains to 1,509 million tonnes.

2.3. World cereal stocks ending in 2021/22 are forecast to expand marginally (0.5%) from their opening levels to 836 million tonnes. The resulting world cereal stocks-to-use-ratio would stand at 29.1%, down slightly from 29.7% in 2020/21 and marking an eight-year low, but still indicating an overall comfortable supply level.

	2017/18	2018/19	2019/20	2020/21 estimate	2021/22 forecast
<b>World stocks-to-use ratio</b>	31.9	30.7	29.9	29.7	<b>29.1</b>
<b>Major exporters' stocks-to-disappearance ratio</b>	18.2	18.9	18.8	18.4	<b>18.6</b>

2.4. The bumper rice harvest is expected to enable world rice utilization and stocks at the close of 2021/22 seasons to reach fresh peaks, while also facilitating a third successive annual increase in international trade in rice.

2.5. Global trade in cereals in 2021/22 is forecast to expand by 0.9% from the 2020/21 level to 484 million tonnes. Trade in wheat is forecast at a record of 194 million tonnes, 2.5% above 2020/21 level, whereas trade in coarse grains is expected to reach 237 million tonnes, registering a 0.9% contract from the previous year. Trade in rice is anticipated to sustain a third successive annual expansion in 2022 (January-December) to 53.4 million tonnes.

### 3 CROP PROSPECTS AND FOOD SITUATION IN NFIDCS

3.1. Based on the latest information from FAO's Crop Prospects and Food Situation report (March 2022), aggregate cereal production among NFIDCs is estimated at an above-average level in 2021. The higher output mostly reflects large outturns in North African, Southern African and Far East Asian NFIDCs, where overall beneficial weather conditions supported upturns in yields of the main staple cereal crops. In contrast, well below-average outputs were estimated in the Sudan and Niger, underpinned by an erratic distribution of rains that curtailed yields, while drought conditions were present in Angola and Kenya during 2021, with negative impacts on cereal harvests. Conflicts, which are still prevalent in many NFIDCs, as well as civil insecurity, disrupted agricultural activities and contributed to keeping harvests at below-average levels in several countries, notably in Burkina Faso and Niger in 2021.

3.2. Despite above-average initial forecasts of Ukrainian maize and wheat exports in 2021/22, it is foreseen that the ongoing conflict would curb the country's export capacity to ship grains, due to damage to infrastructure, like port and rail facilities.<sup>4</sup> Ultimately, the conflict in Ukraine has the potential to exacerbate a situation of already rising international food prices, by disrupting grain supplies from a key source of imports for many NFIDCs.

## 4 FOOD PRICES

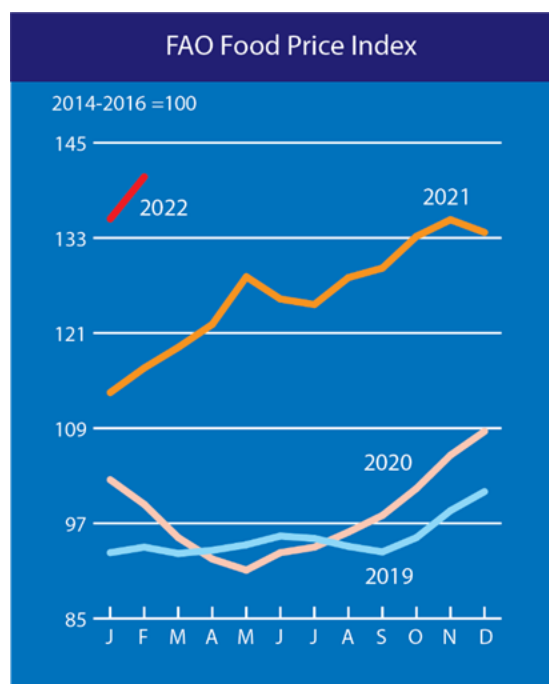
### 4.1 International prices

4.1. The FAO Food Price Index\* (FFPI) averaged 140.7 points in February 2022, up 5.3 points (3.9%) month-on-month and as much as 20.7 points (24.1%) above its level a year ago. This represents a new all-time high (in nominal terms), exceeding the previous top of February 2011 by 3.1 points. The rise in the February index was led by increases in international vegetable oil and dairy prices, while cereals and meat prices also went up. By contrast, sugar prices fell for the third consecutive month. Concerning year-on-year increases, the FAO Vegetable Oil Price Sub-Index

<sup>4</sup> FAO. 2022. [Crop Prospects and Food Situation #1, March 2022 \(fao.org\)](https://www.fao.org/crop-prospects-and-food-situation/).

registered the sharpest increase (36.8%), followed by dairy (24.8%), meat (15.3%), cereals (14.8%) and sugar (10.4%).

**Figure 1: FAO Food Price Index (2019-2022)**



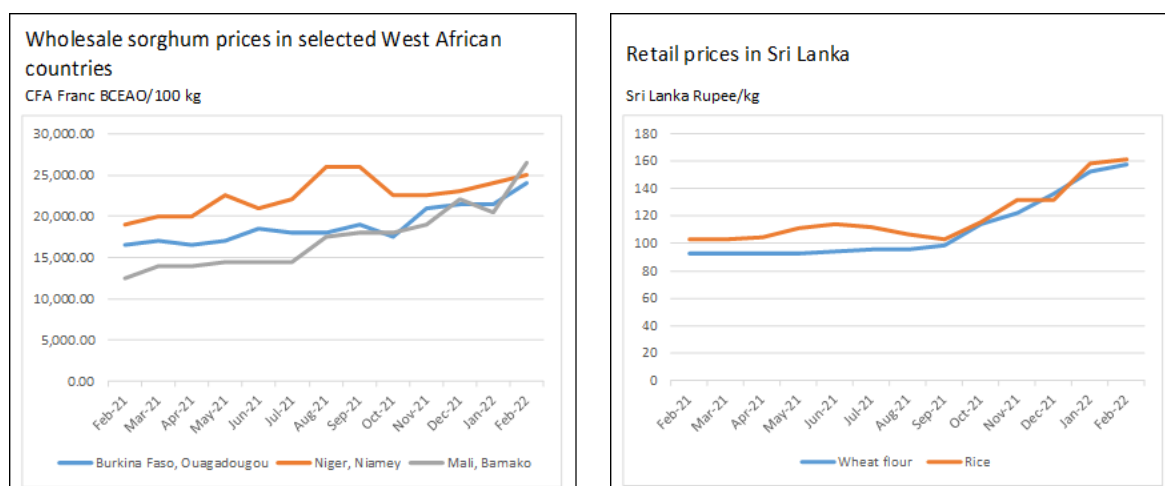
## 4.2 Domestic prices in NFIDCs

4.2. According to the latest food price data available to FAO (February 2022), domestic coarse grain and wheat prices have generally increased over the past year in NFIDC countries, reflecting tighter domestic supplies, macroeconomic challenges, conflict- and insecurity-related market disruptions, severe weather shocks and developments in the global grains market. Whereas for rice, prices were mostly stable or eased somewhat with adequate availability in countries where it is a major staple.

4.3. For NFIDCs in sub-Saharan Africa, coarse grain prices were significantly higher year on year owing to sustained demand amid tight availability, largely resulting from reduced harvests and market disruptions due to persisting conflict and insecurity. In Ethiopia, Sudan, South Sudan, and non-franc countries in West Africa, macroeconomic difficulties and currency depreciation provided additional upward pressure on prices. While above-average cereal supplies moderated overall price increase for NFIDCs in Southern Africa, conflict and extreme weather conditions have kept prices elevated in parts of Mozambique and Madagascar.

4.4. Among the NFIDCs in Asia, domestic rice prices were stable or below year-earlier levels reflecting adequate market availability. The exception was Sri Lanka where rice prices reached record highs, underpinned by the depreciation of the national currency and concerns over the outlook for a reduced 2022 main "Maha" paddy crop. Additionally, domestic wheat and wheat flour prices remained significantly higher year-on-year in Afghanistan, Bangladesh and Sri Lanka.

4.5. For NFIDCs in Latin America and the Caribbean, maize prices remain significantly above their year earlier levels despite adequate supplies. Higher transportation and production costs were reported as key contributing factors to the rising prices, particularly in El Salvador and Honduras.

**Figure 1a and 1b: Prices in West Africa and Sri Lanka**

## 5 FOOD IMPORT BILL OF NFIDCS

5.1. Similar to the global situation, despite an initial contraction at the onset of the COVID-19 pandemic, the value of agri-food trade has grown in 2020 and 2021 in NFIDCs, reflecting both robust demand and higher food prices. The food import bills in NFIDCs grew by 3% in 2020, but are estimated to have registered even higher growth in 2021, with their aggregate food import bill expanding by nearly 15% from 2020, making it one of the fastest growths on record. However, the higher import bills are mainly on account of higher unit costs, rather than higher import volumes.

5.2. With higher international quotations in 2021 and resumed economic growth, virtually all product bills in NFIDCs increased in 2021, with the exception of meat. The largest absolute increases in the year are estimated for fruits and vegetables (USD 3.3 million), followed by animal fats and vegetable oils (USD 1.7 million), and cash crops (coffee, tea, cocoa, spices) (USD 1.7 million).

5.3. The majority of the import bill in NFIDCs is composed of fruit and vegetables, cash crops (coffee, tea, cocoa, spices), and fish, accounting for nearly 70% of their aggregate bill in 2021. Imports of staple foodstuff, like animal fat, vegetable oils, and oilseeds are estimated to have contributed to a considerable amount of the increase in the group's aggregate import bill in 2021.

5.4. The worrying feature for developing countries is that they are estimated to have purchased lower volumes of food, but at significantly higher costs in 2021.

**Figure 2: Food import bills in NFIDCs (2019-2021)**

FIB, USD billion	NFIDCs		
	2019	2020	2021
Animal and vegetable oils, fats	3.5	4.2	5.9
Beverages	1.3	1.1	1.6
Cereals and cereal preparations	5.4	5.2	5.6
Coffee tea cocoa spices and products	16.1	16.8	18.6
Dairy products and eggs	0.9	0.8	0.8
Fish, crustaceans, and molluscs	11.9	10.5	11.9
Meat and meat preparations	1.0	1.0	1.0
Miscellaneous food	1.5	1.7	2.2
Oilseeds and oleaginous fruits	3.3	3.8	4.6
Sugar, honey and preparations	3.3	3.1	3.3
Fruits and Vegetables	22.4	24.5	27.8
Total	70.7	72.8	83.4

## 6 FAO'S RECOMMENDATIONS

6.1. With rising international food prices and growing food import bills, significant challenges for food security are expected in many developing countries, particularly NFIDCs.

6.2. While food and agricultural production, agricultural employment, and agrifood trade have largely overcome short-term bottlenecks from the pandemic, the persistence of food crises demonstrates that it is critical to keep food supply chains fully operational. At the same time, it is imperative to provide adequate support to the livelihoods of the most vulnerable through safety nets and effective social protection programmes that can help secure incomes and food consumption when shocks occur.

6.3. Uncertainty that stems from conflicts, weather variability, animal and plant pests and diseases, and high energy and agricultural input prices pose considerable risks for global food security. Rising food prices will likely exacerbate existing vulnerabilities, put pressure on fiscal budgets and balance of payments of NFIDCs and challenge their ability to procure adequate food supplies in world markets. As such, it is important to continue supporting vulnerable countries and population groups through actions aimed at ensuring access to adequate and nutritious food. For instance, domestic food aid and cash transfers can help to maintain consumption levels during times of unemployment and reduced income. In this regard, governments of NFIDCs will need access to financial mechanisms to be able to ensure supplies of basic foodstuffs and cope with the risk of depleting their foreign exchange reserves.

6.4. Continued support to NFIDCs should also be provided on trade digitalization. Continued commitment to implementing the WTO Trade Facilitation Agreement and to digitalizing trade procedures, such as electronic SPS certificates in the ePhyto Solution, have demonstrated benefits in cutting costs, saving time and reducing food fraud. It is important to support NFIDCs in adopting and using other electronic SPS certificates and digital trade documents.

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