MED-Amin Policy Brief nr. 1

The cereal situation in the Mediterranean area

MED-Amin
Mediterranean Agricultural Market Information Network

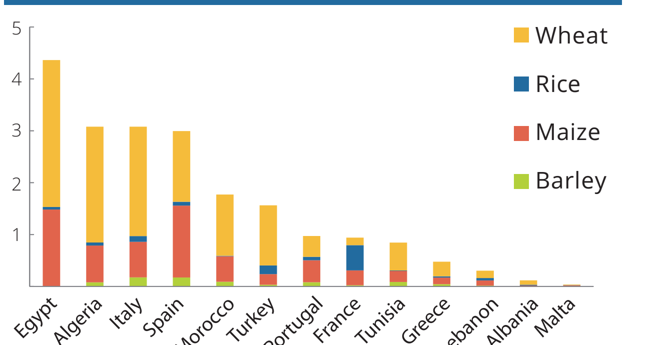
1) The Mediterranean area: A region facing strong constraints, and exposed to cereal markets reversals

a. A production facing strong natural constraints, leading to sizeable commercial trade.

Agricultural development and food security constitute strategic priorities for Mediterranean countries. The scarcity of water and arable lands, aggravated by climatic constraints, is among the challenges that need to be addressed to ensure sufficient food supply within these countries. The availability of fresh, renewable water resources per capita in the NENA[1] region has thus decreased by 2/3 during the last 50 years and now corresponds to only 10% of the world average; the availability of arable lands per capita, on the other hand, corresponds to only 20% of the world average (FAO 2015). Similarly, the effects of climate change will clearly produce adverse effects, in particular in the NENA region. According to a report from the World Bank (2014) "Turn down the heat, confronting the new climate normal", cereal yields in Egypt and in the region could decrease by 30% as a consequence of a 1.5°C increase in 2050.

UN projections indicate that in 2050, Middle East and North Africa will remain the region which depends the most on cereal imports in the world, with a trade deficit that could reach 140 million tons (FAO Projections 2030/2050).

MED-Amin Cereal Imports - Average 2008-12 - Bln USD



Source: FAOSTAT

Out of the 68 Mt of cereals consumed within the 5 CIHEAM southern Mediterranean countries, over 42 million - about 62% - are supplied from abroad (MED-Amin Figures).

b. Demographic growth and the growing use of cereals as feed lead to enhanced dependency.

The demographic growth anticipated in the 5 CIHEAM countries located on the south shores of the Mediterranean should reach +53% between 2015 and 2050 (according to UN Projections *2015 revisions*).

The influence of this demographic growth should be amplified by a sustained high human consumption of cereals (200kg of bread per year and inhabitant in the NENA region (Abis 2015), or about twice the average in the EU, and three times the world average). Similarly, utilizations as feed will continue to grow in those countries both in total quantity and in terms of content of imported vegetal products (maize and soybeans) (Pluriagri 2015).

In that context, the persistence of logistical gaps (limiting the industries' performance and generating wastes and losses) is a major issue to be overcome in the Mediterranean area.

c. The instability of markets calls for political answers.

Food security must be built today in an environment characterized by the unpredictability of cereal and agricultural dynamics.

The conjunction of a potential cereal deficit superior to 100 million tons by 2030 on the southern shores of the Mediterranean, added to the possible occurence of major inflationary peaks (prices per ton were multiplied by 5-6 for rice, by 4 for wheat between 2005 and 2008) force decision-makers to anticipate brutal shocks on the trade balances of these countries.

In spite of the downward trend observed for prices during the last two years, those factors of tension remain within the Mediterranean region, while the conditions of bread availability are major determinants of the security of the population's everyday lives.

Quality information on the evolution of production, consumption and stocks levels, both at the local and international scale, is therefore critical to stabilize markets.

MED-Amin countries represent...

- ***6% of the world's population*** (435 million inhabitants)
- ***48% of world durum wheat production*** (17 Mt) and 41% of durum wheat harvested area (7 Mha)
- ***27% of world wheat imports (soft and durum)*** (or 41 Mt) and 9% of soft wheat harvested area (18 ha)
- ***23% of world maize imports*** (25 Mt) and 3% of maize harvested area (5 Mha)

MED-Amin

is a multilateral network established between the CIHEAM's 13 member countries, at their request, working at promoting quality information regarding the evolution of cereal markets and at fostering experience-sharing on the best practices in terms of cereal policies.

CIHEAM
International Centre for Advanced Mediterranean Agronomic Studies

Learn more at:
www.med-amin.org
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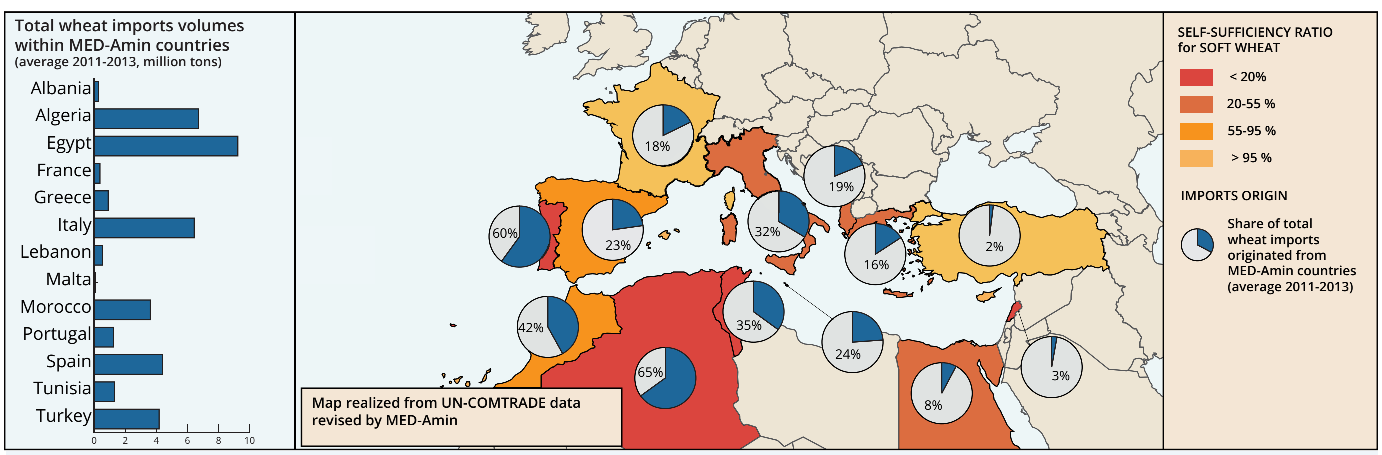
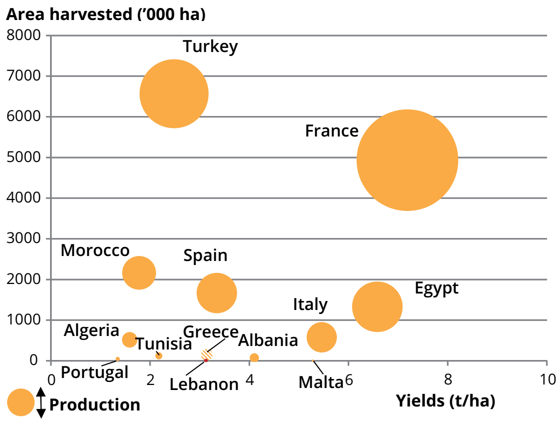
1 *Near East North Africa*



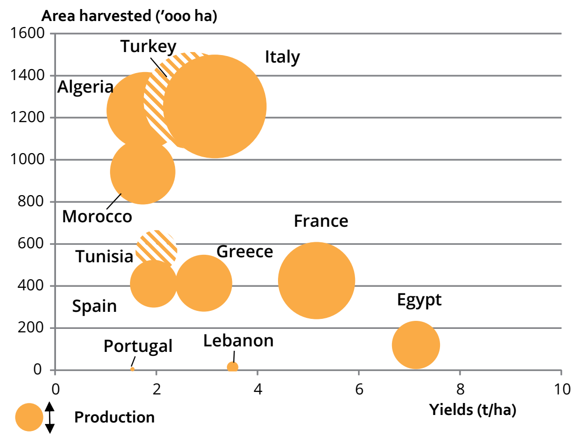
The MED-Amin area, a region of closely-interconnected cereal imports and exports flows, epicenter of the world's cereal trade

Overview of cereal productions within MED-Amin countries

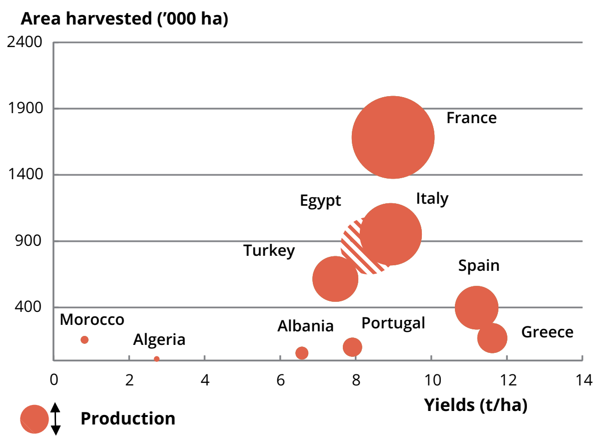
Soft wheat



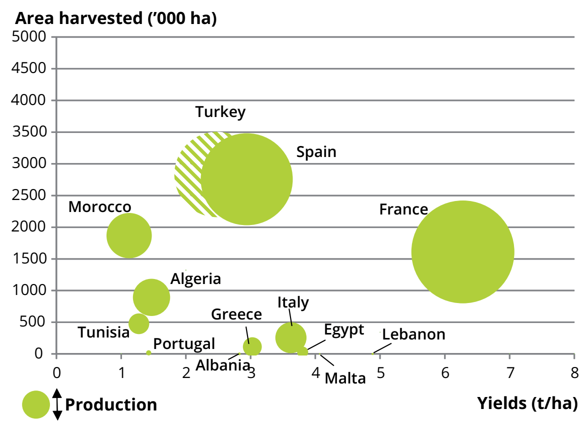
Durum wheat



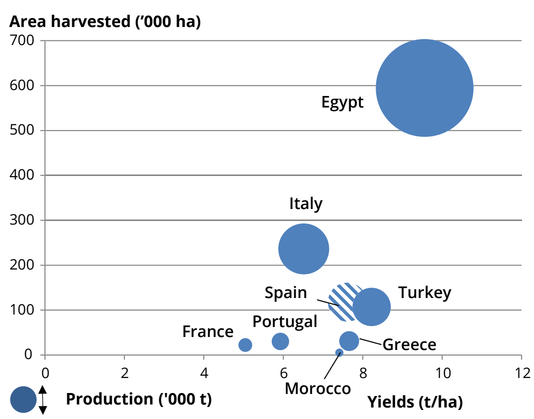
Maize



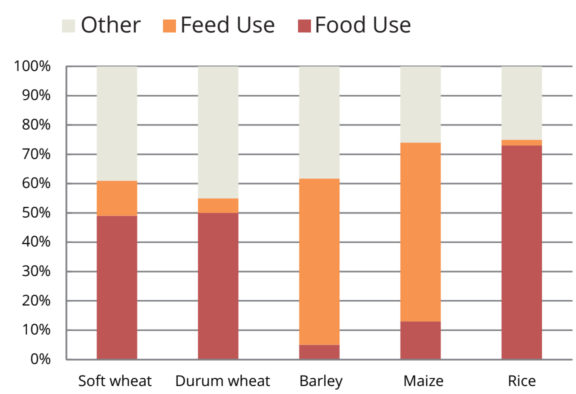
Barley



Rice



Main utilizations
MED-Amin area - average



Source: MED-Amin data - Average 2010-13

- **Wheat**'s main utilization remains largely food use in the region. About 41 Mt of wheat are imported by MED-Amin countries every year: a third of that cereal trade is realized internally between the 13 countries (this ratio can reach 60 to 70% in the case of Algeria and Portugal). Among MED-Amin countries, only France and Turkey are characterized by high self-sufficiency ratio, and a large export capacity.
- **Maize** is essentially used as feed. 26 Mt are imported each year in the studied area. It is originated at 90% from non-MED-Amin countries.
- **Barley** is also used mainly as feed. About 3 Mt per year are imported in average; over 40% of traded barley by MED-Amin countries originates from their own production.
- **Rice**, finally, whose production in MED-Amin countries only represents 1% of the total world output is imported for about 2 Mt per year. Egypt, which presents by far the highest level of consumption per capita (about 40kg/year, against 5 to 10 in other countries), represents by itself one third of those regional imports.

2) Recently implemented cereal policies within MED-Amin countries

Cereal policies, in the south and east of the Mediterranean area, are largely characterized by public intervention (support measures to production, price subsidies for consumers) while the countries located in the south of the European Union apply the Common Agricultural Policy (CAP). The CAP 2014-2020 seeks to achieve improved environmental protection and is based on intervention mechanisms triggered only in the case of major crises and acting as a security net. A system of subsidies linked to agricultural areas exists within pillar I (coupled supports can also be affected to specific types of production meeting difficulties or needing support in achieving specific quality levels) while pillar II mainly targets rural development.

- **Albania** Albania has had a relatively stagnating cereal production over the last ten years, as a consequence of high production costs. Specific actions are currently being implemented by the government to increase the production of maize, a cereal largely imported for feed purposes. The short and mid-term strategies include improvements regarding machinery, post-harvest losses and storage.
- **Algeria** Algeria is implementing a cereal-production intensification program (2015-19): this policy is characterized by a development of both production and productivity to reach a 6.7 mln t objective, as well as the integration of value chains (modernization of agricultural machinery, irrigation, reinforcement of storage capacity, adaptation of subsidy policies).
- **Egypt** The Egyptian roadmap for 2014-18 (SADS 2030) is articulated around a series of measures aiming at increasing the production of certain crops (wheat, barley and maize) while reducing the production of rice. This action plan is also characterized by strong measures aimed at reducing losses and at increasing storage capacities – with the objective of reducing losses by 25-30% from their current level.
- **France** In France, coupled support is offered to the cereal sector, in particular for durum wheat in traditional areas (Mediterranean rim). Market management measures still exist for soft wheat (intervention measures like public storage) while crisis management tools are limited to 3 mln tons, with a low trigger threshold (101.31€/t). Additionally, cereal interprofessional organizations elaborated a strategy for 2025, based on 5 dimensions: environmental protection, adaptation to demand (protein plan for wheat), volatility and risk management strategies, improvement of value-chain logistics and development of new market opportunities (green chemistry, biomass).
- **Greece** Greece implements coupled support measures for durum wheat and rice. Specific measures are taken in favor of the Small Aegean Islands (support to supply and local production). Measures aimed at supporting rural development are also granted to storage and processing infrastructures
- **Italy** Italy is characterized by an industrial production (pasta, in particular) requiring large volumes of homogeneous-quality raw material (durum wheat) while the national wheat production is fragmented and displays heterogeneous quality levels. In order to cope with this challenge, the Italian authorities have set up a coordination instance with the private sector to promote the international competitiveness of the pasta industry, stimulate existing industry agreements, and improve quality and the regrouping of supply. Italy is also developing a modernization plan for its storage centers.
- **Lebanon** The central item of Lebanese cereal policies is the support to national producers of wheat and barley. The Cereal Office buys cereals at a subsidized price from local producers. Subsidized prices are offered to milling factories and bakeries, while consumers enjoy reduced prices on bread.
- **Morocco** Morocco's policies are framed within the Green Morocco Plan, whose objectives - regarding cereal production by 2020 - have been revised upwards. The recovery plan for the cereal industry 2015-20 is characterized, upstream, by a refocusing of production on highly productive areas. Out of those specific areas, the Plan consists in reconversion measures and in aggregation and intensification projects covering a total of 3 mln hectares. Downstream, the Green Morocco Plan includes the finalization of the liberalization process already under way, as well as the development of the private sector in its storing, processing and distribution activities.
- **Portugal** recognizes the private sector as having a major role in the organization of the cereal sector, private actors being considered to be masters of their own development. Cereals supply is organized through a series of producers' associations (PO`s), rice supply being the most concentrated in OP`s, followed by maize supply.
- **Spain** Spain has chosen to focus on rice support via voluntary coupled support measures to prevent the disappearance of this production. Policies also aim at supporting rice quality, through Protected Designations of Origin (there are three rice PDOs), promoting integrated production, and durum and soft wheat quality, through regular analysis each year.
- **Tunisia** Central planning is still strongly characteristic of the cereal sector. Prices are fixed at most stages, thus reflecting the Food Security Strategy adopted in the country as a way to ensure social stability: Consumer prices serve as a basis for the determination of producers' prices. To this end, widespread compensations are distributed to economic operators involved in the sector via the General Compensation Fund (CGC). The sector is largely subsidized (56% of the end-of-pipe price in the case of semolina) through a regulation mechanism that is revealing to be more and more costly.
- **Turkey** In Turkey, cereal policies are articulated, upstream, around a registry system for agricultural holdings, actions to prevent land fragmentation, studies for land consolidation, a system of agricultural councils and unions, and supports to agriculture and rural development. Production subsidies and support in certified seeds and plants use are also provided, as well as other specific production subsidies, in particular regarding organic production. Downstream, prices are regulated: a storage system has been implemented in collaboration with TMO, the Turkish Cereal Office, so as to facilitate cereal trade, efficient storage and standardization.

3) What are the necessary actions required to enhance the monitoring of cereal markets in order to ensure food security ?

When facing a complex environment, subject to brutal and difficult-to-foresee trend reversals, the development of concrete capabilities for action calls first and foremost for the realization of a climate of trust allowing the collection, sharing and dissemination of relevant information in a timely manner. That information must help clarify world trends and highlight the best practices in terms of value-chain and national organization (support, logistical and storage infrastructure).

a. Reinforcing the countries' capabilities for improved data quality and a more effective transmission of information.

Accordingly, it is indispensable to reinforce the structures and mechanisms that constitute the backbone of an efficient dissemination of information in both ways (local level/national level, world and regional level/ national level, administrations / decision-makers, public sector / private sector).

The MED-Amin network facilitates regular data collection (historical data, harvests progress, forecasts). Focal points activate their information sources (statistical agencies, customs offices, agricultural organizations,...). This activity is an opportunity to review missing, bad-quality, late, or insufficiently monitored data. It is also an opportunity to progressively highlight the needs for capacity-reinforcement.

b. Implementing the necessary tools to enhance forecasting and improve the information required for anticipation

Services responsible for the monitoring of cereal markets should be able to anticipate short-term evolutions regarding future and current harvests, price evolutions and cereal availabilities on world markets, but also in terms of currently used and free storage capacities, or in terms of utilizations (food, feed, seeds, others).

MED-Amin puts at the disposal of its members daily (Scoop.it on cereal markets events) and monthly (newsletter and press review) market information tools thus inviting focal points and their local partners to stay informed in real time on market evolutions. The network also dedicates specific attention to relaying information from other initiatives involved in cereal market monitoring (AMIS/FAO, IGC, EU (DG-Agri, JRC), USDA...). MED-Amin also proposes capacity-reinforcement in collaboration with its partners to improve capabilities in terms of market forecasting. Finally, the CIHEAM network may be mobilized to contribute to the analysis of cereal value-chains within countries.

c. Strengthening dialogue between stakeholders, to validate the relevance of information and to engage them around common strategic objectives

As a complement to the actions implemented to realize short-term forecasts, it is essential to assess the impact of cereal policies and to anticipate policy or strategic changes at the different levels.

The dialogue of experts at national level of experts (including professional staff from the different relevant sectors (statistics, customs, producers' associations and industrials) to discuss, validate and complete the output of these activities, may prove fruitful.

MED-Amin can support those initiatives by facilitating experience-sharing between the members of the network.

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What can decision-makers do ?

- Make sure the services responsible for data collection and analysis have the necessary resources to function adequately, are well coordinated with the other levels, and relay information efficiently and without delay.
- Ensure that sufficient monitoring of the main statistical items (production, storage, consumption, losses...) is realized - in order to build cereal balance sheets at national level - and that short-term market evolutions are closely monitored to allow timely intervention.
- Engage a dialogue with professional operators to co-design policies and strategies, integrating in particular the supply-related issues.
- Promote inter-sectorial, regional and international cooperation relative to cereal markets.

Further reading

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