

Food Price Watch



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Prices of internationally traded food have declined for the third consecutive quarter since their historical peak in August 2012. Increased production, declining demand from large importers, and increasing stocks are exerting downward pressures on international prices, but global markets continue to be tight for maize. Prices remain high with recent price increases in May and June. Uncertainties surrounding weather conditions and domestic policy decisions among key producers warrant close scrutiny.

Domestic prices have generally followed seasonal trends, but wide variations remain. Large increases in domestic prices between February and June 2013 are due to unfavorable weather conditions, dwindling supplies, currency devaluations, and large public purchases. In addition, consumer price subsidies, far from being a thing of the past, continue to be used despite their past record of meager benefits to the poor, high fiscal costs, corruption episodes, and questionable nutritional effects.

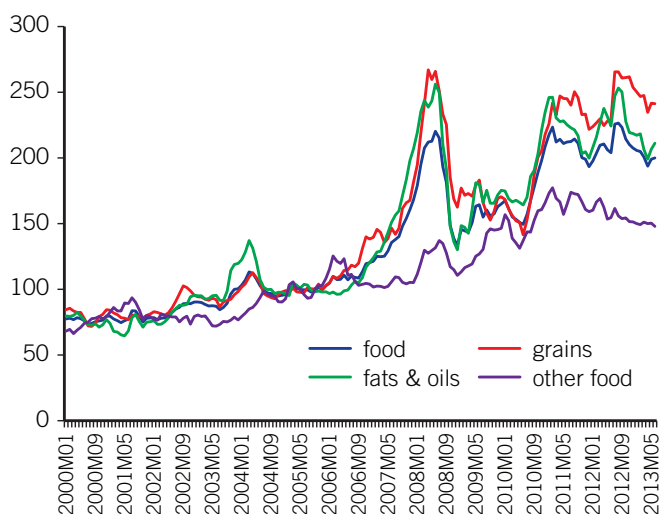
Global Price Trends

The prices of internationally traded food commodities declined between February and June 2013 (figure 1). The World Bank's Food Price Index decreased by 2% between those months,¹ with sustained month-to-month declines from February to May. Prices in May went up by more than 2% and up-ticked in June. The Bank's Food Price Index in June remains 12% below the recent all-time peak in August 2012, but is only 2% lower than a year ago.

Prices of all the three main food categories declined between February and June 2013. Prices of grains in June were 2% lower than in February; 3% lower in the case of fats and oils; and 1% lower for others, which include sugar and meat, among others (see table 1).

However, the food prices of key commodities followed different behaviors in this period. The price of internationally traded wheat dropped by 2%, after sustaining five consecutive monthly declines from December 2012 until its strong increase in May 2013. In June, wheat prices fell again, undoing May's increases. In

Figure 1. World Bank Global Food Price Index



Source: World Bank DECPG.

Note: The Global Food Price Index weighs export prices of a variety of food commodities around the world in nominal U.S. dollar prices, 2005=100.

Table 1. Price Change of Key Food Commodities

Indices	Feb 2013– June 2013 (%)	June 2012– June 2013 (%)
Food	-2	-2
Grains	-2	5
Fats and oils	-3	-6
Other	-1	-4
Fertilizers	-8	-15
Prices		
Maize	-1	12
Rice (Thai, 5%)	-4	-10
Wheat (U.S., HRW)	-2	13
Sugar (world)	-6	-16
Soybean oil	-11	-12
Crude oil, average	-7	10

Source: World Bank, DECPG.

contrast, the international price of maize followed a pattern of subsequent increases and decreases from February to June, ending some 1% below its February level. The price of rice (Thai 5%) has sustained monthly decreases and stands 4% below February levels.² Sustained declines were also observed between February and June 2013 for the international prices of crude oil and fertilizers, by 8 and 7%, respectively. The price of crude oil has dropped just below US\$100 per barrel (Bank's crude oil average).

Improved weather conditions and weaker imports are behind price declines in this quarter. Current prices of **wheat** reflect expectations that world production will rebound this year from last year's declines, which were the result of the U.S. drought and dry weather elsewhere. Good harvests are expected from major producers such as Australia, Europe, the Black Sea region, and China because of favorable weather and increased plantings. Interestingly, Chinese wheat production has increased not only as a result of favorable weather, but also because of an increase in subsidized inputs including seeds, fertilizers, and fuel.³ The United States is the exception among major producers; its output for the spring wheat is set to decrease as a result of slow plantings in May. Good harvests, increasing stocks, and declining imports—except in China—are also reported in large importer countries in the Middle East and North Africa, further contributing to the easing in international markets.

Maize production is expected to reach a new record high this year, with substantial increases expected in the

United States (due to the significant expansion of plantings), China, Europe, Brazil, and Argentina.⁴ Notable increases in the use of maize for ethanol in the United States (after two years of consecutive reductions);⁵ higher demand from major importers such as the Arab Republic of Egypt, Japan, and China;⁶ and increasing public stockholding in large producers (such as China and Brazil)⁷ have all contributed to recent price increases. Inventories are not expected to increase until 2014, which indicates that international maize markets remain tight.

Rice prices continued to decrease moderately from a combination of offsetting factors. Downward price pressures from good harvests in Thailand and Vietnam counteracted upward pressures from increasing demand and thinner supplies in India, Pakistan (both also associated with increasing public procurement),⁸ the United States, and South America. Despite the increasing demand from China, overall import demand is weakening due to reduced purchases from Indonesia, the Philippines, and Nigeria (all with improved domestic supplies). The large public purchases by the Thai government have kept Thai export rice prices high and prevented the country from recovering its recently lost world's top rice exporter designation. "Bulging inventories"⁹ in Thailand, China, and India translate into comfortable world-level inventories, estimated to exceed 35% in 2013.

Yet caution is warranted going forward. Recently unfavorable weather conditions in northern and central Europe, the Russian Federation, and China may affect the prospects of a rebound in world wheat production.¹⁰ There are concerns about the extent of the planting expansion officially announced for U.S. maize, which also relies on assumptions of favorable weather conditions.¹¹ Due to its late planting, the U.S. maize harvest will undergo its most sensitive phase over a much reduced period of time, making it very vulnerable to hot and dry weather during that period.¹² In addition, there are a number of uncertainties surrounding policy decisions. The fear of a vast release of public stocks of Thai rice has been linked to the removal of the minimum export price in Vietnam.¹³ Moreover, the Thai government stunned markets in June by announcing a reduction of the guaranteed price to farmers by some 20%, and then back-stepping on its decision two weeks later.¹⁴ In India, the government recently approved the sale of 10 million metric tons of wheat (and 500,000 tons of rice) to domestic markets, as uncertainty mounts on the expansion of the subsidized rice distribution program, which might potentially affect

India's export supplies.¹⁵ The political turmoil and dire economic situation in Egypt may also have consequences on the international demand and prices of wheat: wheat imports in Egypt, the world's top wheat importer, are critical for the country's political stability because they contribute to the massive subsidized bread program.¹⁶ On a more positive note, there are no changes foreseen in oil markets: the World Bank's "Commodity Markets Outlook"¹⁷ reports that oil demand growth remains weak, crude stocks are high, and the Organization of Petroleum Exporting Countries (OPEC) is unlikely to change production policy given current economic conditions.

Domestic Price Trends

Domestic prices of grains have generally followed seasonal patterns across regions. Prices of staples in western, eastern, and southern Africa have typically stabilized or decreased due to improved food availability from current and/or last year's good harvests, with the important exceptions of Nigeria and South Africa.¹⁸ In Central America and the Caribbean, prices of beans and maize have followed seasonal trends, with the price of maize strengthening as supplies from last year's harvests dwindle. As bumper crops are being harvested in South America, prices of maize are generally declining.¹⁹ Prices have also declined in Central Asia, reflecting good prospects for wheat production in the region and the beginning of the 2013 winter harvest. In East and South Asia, prices of rice have remained relatively stable from offsetting pressures: downward pressure from abundant supplies and upward pressure from increasing domestic public procurement schemes. The high level of exports in some exporting countries has also exerted pressure on domestic prices.²⁰

Between February 2013 and June 2013, the largest **wheat** price increases (table 2) took place across monitored markets in India (25%),²¹ Ethiopia (19%) and Sudan (14%), and in the capital cities of Bolivia and Nepal (13 and 9%, respectively), due to several reasons ranging from procurement policies to seasonal trends, low supplies, and currency depreciation. In contrast, double-digit wheat price reductions were observed in markets in the Democratic Republic of Congo, Colombia and Afghanistan (between 10 and 15%), associated with seasonal factors and reduced prices of imports.²² Domestic **maize** prices have varied more markedly, with increases of 52% in monitored markets in the producing south of Somalia

(Baidoa) and around 30% in Bolivia (La Paz) and Rwanda (Kigali), all related to seasonal trends and reduced harvests from unfavorable weather. Decreases in maize prices reached 38% in markets in Tanzania and exceeded 30% in monitored markets in Malawi and Mozambique due to seasonal trends. Between February 2013 and June 2013, **rice** prices increased by 46% in certain markets in Bolivia due to sharp declines in production caused by a drought early in the year. Substantial increases were also observed in monitored markets in Somalia, Rwanda, India, and Pakistan.²³ The largest declines in the price of rice took place in markets in Thailand (6%, due to good harvests), the Democratic Republic of Congo (10%), Uganda (14%), and Tanzania (23%).

Domestic price variations between June 2012 and June 2013 show the usual wide range in yearly prices.

The price of **wheat** in June 2013 was 95% higher than 12 months ago in El Salvador (San Salvador), reflecting increased imports and market structure, and 50% higher in Sudan (Khartoum), 48% higher in Belarus (national average), and 43% higher in Moldova (Chisnau). Annual price increases ranging between 30 and 40% were also observed in markets across Tajikistan, the Kyrgyz Republic, and Bolivia.²⁴ For those markets for which information is available, the capital cities in Mauritania and Colombia and monitored markets in Ethiopia report decreases in the domestic price of wheat between 7 and 20%, mainly due to larger supplies. Large increases in the annual price of **maize** have occurred in some monitored markets in Malawi (Liwonde, 135%) due to high inflation and currency devaluation, and in markets in Mozambique (Milange, 62%), Nicaragua, and Haiti (52 and 43%, respectively) as a result of production shortages, increasing import prices, transportation costs, and currency depreciation. Sharp increases also occurred in Bolivia and the Russian Federation (48 and 37%, national average increases). The price of maize went down in the last year across certain markets in Togo, Kenya, Chad, and Uganda (between 28 and 38%) because of good supplies, and in Uganda because of reduced export pressures.²⁵ The price of **rice** increased in monitored domestic markets in Bolivia (53%), Mexico (36%),²⁶ India (31%),²⁷ Brazil (29%) and Haiti (22%), influenced by unfavorable harvests, high import prices, and currency depreciation. In contrast, the annual rice price went down between 15 and 25% in the capital cities of Chad, Thailand, Tanzania, and Somalia.

Table 2. Largest Variations in Domestic Prices

Quarterly Price Movements: February 2013 – June 2013			
Wheat	% change	Maize	% change
India, Patna, retail (Indian rupee/kg)	25	Somalia, Baidoa, white, retail (Somali shilling/kg)	52
Ethiopia, Debre Marcos, white, wholesale (Ethiopian birr/local)	19	Bolivia, La Paz, hard yellow, cubano, wholesale (boliviano/local)	33
Sudan, Kadugli, wholesale (Sudanese pound/local)	14	Rwanda, Kigali, wholesale (US\$/ton)	27
Bolivia, La Paz, flour, imported, Argentina, wholesale (boliviano/local)	13	Ethiopia, Mekele, wholesale (Ethiopian birr/local)	23
Nepal, Kathmandu, flour, retail (Nepalese rupee/kg)	9	Honduras, Tegucigalpa, white, wholesale (US\$/kg)	20
Russian Fed., natl. avg., flour (high grade), retail (Russian ruble/kg)	5	Uganda, Lira, wholesale (US\$/ton)	-14
South Africa, Randfontein, wholesale (rand/ton)	3	Brazil, natl. avg., yellow, wholesale (Brazilian real/kg)	-20
Dem. Rep. of Congo, Kinshasa, flour, retail (CGF/kg)	-10	Mozambique, Nampula, white, retail (metical/kg)	-32
Colombia, Bogotá, flour, wholesale (Colombian peso/kg)	-12	Malawi, Nsanje, retail (kwacha/kg)	-37
Kyrgyzstan, Osh, flour (first grade), retail (som/kg)	-13	United Rep. of Tanzania, Dar es Salaam, wholesale (US\$/ton)	-38
Afghanistan, Kabul, flour, retail (Afghani/kg)	-15		
Rice	% change	Sorghum	% change
Bolivia, Cochabamba, grano de oro, wholesale (boliviano/local)	46	Somalia, Baidoa, red, retail (Somali shilling/kg)	52
Somalia, Belet Weyne, imported, retail (Somali shilling/kg)	25	Togo, Anie, retail (CFA franc/kg)	47
Rwanda, Kigali, wholesale (US\$/ton)	21	Nigeria, Kano, wholesale (naira/local)	27
India, Patna, retail (Indian rupee/kg)	18	El Salvador, San Salvador, Maicillo, wholesale (US\$/local)	20
Pakistan, Karachi, basmati, retail (Pakistan rupee/kg)	15	Ethiopia, Addis Ababa, white, wholesale (US\$/kg)	16
Thailand, Bangkok, 5% broken, wholesale (baht/ton)	-6	Niger, Dosso, local, wholesale (CFA franc/local)	15
Cape Verde, S.Vincente, long grain, imported, retail (escudo/kg)	-7	Sudan, Dongola, Feterita, wholesale (Sudanese pound/local)	-4
Dem. Rep. of Congo, Kinshasa, imported, retail (CGF/kg)	-10	Chad, Abeche, retail, (CFA franc/kg)	-14
Uganda, Kampala, wholesale (US\$/ton)	-14	Burkina Faso, Ouagadougou, wholesale (CFA franc/local)	-16
United Rep. of Tanzania, Dar es Salaam, wholesale (US\$/ton)	-23	Mali, Sikasso, wholesale (CFA franc/local)	-22
Annual Price Movements: June 2012 – June 2013			
Wheat	% change	Maize	% change
El Salvador, San Salvador, flour, wholesale (US\$/local)	95	Malawi, Liwonde, retail (kwacha/kg)	135
Sudan, Khartoum, wholesale (Sudanese pound/local)	50	Mozambique, Milange, white, retail (metical/kg)	62
Belarus, natl. avg., flour, retail (Belarussian ruble/kg)	48	Nicaragua, natl. avg., white, wholesale (cordoba oro/kg)	52
Moldova, Chisinau, retail (Moldovan leu/kg)	43	Bolivia, Cochabamba, hard yellow, cubano, wholesale (boliviano/local)	48
Bolivia, La Paz, flour, imported, Argentina, wholesale (boliviano/local)	42	Haiti, Port-au-Prince, meal (local), retail (gourde/local)	43
Kyrgyzstan, Jalal-Abad, flour (first grade), retail (som/kg)	40	Russian Fed., natl. avg., offer EXW, wholesale (Russian ruble/kg)	37
Tajikistan, natl. avg., flour (first grade), retail (somon/kg)	37	Togo, Amegnran, white, retail (CFA franc/kg)	-28
Mauritania, Nouakchott, retail (ouguiya/kg)	-7	Kenya, Kisumu, wholesale (US\$/ton)	-29
Colombia, Bogotá, flour, wholesale (Colombian peso/kg)	-13	Chad, Moussoro, retail (CFA franc/kg)	-33
Ethiopia, Shashemene, white, wholesale (Ethiopian birr/local)	-20	Uganda, Lira, wholesale (US\$/ton)	-38

table continues on next page

Table 2. Largest Variations in Domestic Prices, *continued*

Rice	% change	Sorghum	% change
Bolivia, Cochabamba, grano de oro, wholesale (boliviano/local)	53	Togo, Korbongou, retail (CFA franc/kg)	39
Mexico, Mexico City, morelos, wholesale (Mexican peso/kg)	36	Nigeria, Kano, wholesale (naira/local)	23
India, Chennai, retail (Indian rupee/kg)	31	Lesotho, Maseru, meal, retail (loti/kg)	17
Brazil, natl. avg., paddy, wholesale (Brazilian real/kg)	29	Niger, Maradi, wholesale (CFA franc/local)	14
Haiti, Port-au-Prince, imported, retail (gourde/local)	22	Haiti, Port-au-Prince, retail (gourde/local)	11
Chad, N'Djamena, imported, retail, (CFA franc/kg)	-15	Sudan, Al-Fashir, Feterita, wholesale (Sudanese pound/local)	-21
Thailand, Bangkok, 5% broken, wholesale (baht/ton)	-15	Somalia, Baidoa, red, retail (Somali shilling/kg)	-26
Niger, Agadez, imported, wholesale (CFA franc/local)	-18	Burkina Faso, Ouagadougou, wholesale (CFA franc/local)	-33
United Rep. of Tanzania, Dar es Salaam, wholesale (US\$/ton)	-21	Mali, Bamako, wholesale (CFA franc/local)	-44
Somalia, Mogadishu, imported, retail (Somali shilling/kg)	-25	Chad, Abeche, retail (CFA franc/kg)	-50

Source: Food and Agriculture Organization (FAO) and Global Information and Early Warning System (GIEWS).
Note: Currencies as originally reported by FAO.

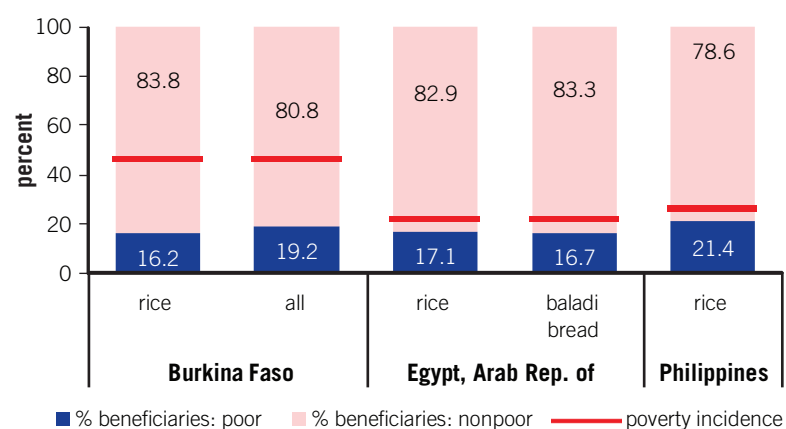
Food Consumer Subsidies

Recent announcements by the governments of India, Indonesia, and Benin regarding the extension of subsidized food programs indicate that these subsidies are not a thing of the past (between the 1950s and 1970s, developing countries used universal food subsidies as major components of poverty alleviation strategies).²⁸ Rising food prices and recurrent price spikes have revived their popularity, as countries with high poverty and weak safety nets are scaling up subsidized food programs.²⁹ Box 1 describes the recent debate around India's National Food Security Act.

Yet, the long-held consensus regarding food consumer subsidies—along with electricity and fuel subsidies—is that, unless properly targeted, these subsidies are not effective in helping the poor and may distort market prices and agriculture production as well as entail a hefty fiscal bill.³⁰ A few figures for the Middle East and North Africa region—the region most dependent on generalized subsidies, including food, electricity, and fuel—illustrate the harmful equity and fiscal implications of consumer subsidies. According to International Monetary Fund (IMF) estimates, just 35% of the amount spent to subsidize food prices reaches the bottom 40% of the population (20% in the case of fuel subsidies), compared with 50–75% accruing to the bottom 40% for well-designed cash transfers.³¹ These estimates support previous evidence in other regions that food subsidies are, on average, the most regressive

across several transfer schemes: food subsidies—mostly universal and self-targeted—performed the worst compared to other forms of transfers, including food rations, food stamps, cash transfers, nonfood subsidies, and public works.³² Country-specific estimates also confirm that the share of benefits from food subsidies reaching the poor is a fraction of total benefits. Figure 2 reports those shares for three countries, Burkina Faso, Egypt and the Philippines (although its program has sharply declined in the last five years);³³ in these countries, the poor typically benefit from less than 20% of the total subsidy.

Figure 2. Share of Food Subsidy Benefits Accruing to the Poor, Selected Countries



Source: Burkina Faso (2008 data): J. Arze del Granado and I. Adenauer, "Burkina Faso—Policies to Protect the Poor from the Impact of Food and Energy Price Increases," IMF Working Paper WP/11/202 (2011). Philippines (2008–9 data): S. Jha and B. Ramaswami "How Can Food Subsidies Work Better? Answers from India and the Philippines," Asian Development Bank Economics Working Paper Series No. 221, September (2010). Egypt (2008 data): World Bank, "Egypt's Food Subsidies: Benefit Incidence and Leakages," September (2010).
Note: "All" refers to exempted products from taxes, which constitutes an implicit subsidy, and includes rice, vegetable oil, salt, milk, pasta, and soap. Estimates for Burkina Faso and Egypt report benefits accruing to the poor from budgeted incomes transfers to households through the subsidy; in the case of the Philippines, estimates include higher prices and illegally diverted food from the program in addition to budgetary allocations.

Food subsidies represent about 0.7% of the regional gross domestic product (GDP) of the Middle East and North Africa, or US\$22 billion annually. When electricity and fuel subsidies are included, the share of GDP spent on consumer subsidies rises to a whopping 7%, a total spending of US\$212 billion a year.³⁴ In countries like Egypt, Jordan and Morocco, food subsidies alone represent between 1.2 and 1.8% of GDP, considerably above the resources spent on such subsidies in most of the rest of the world.³⁵

Recently, food consumer subsidies have been linked to corruption incidences and disappointing nutritional outcomes. Pilferage in schemes that distribute grains with little public information on inputs and scarce “voice” among communities may represent up to 50 or 70% of the allocated subsidized food.³⁶ In nutritional terms, a few recent analyses in Asia have shown that the introduction or scaling up of staple subsidies do not necessarily lead to improvements in nutrition. This is either because of low take-up of the program or because beneficiaries (including the poor) substitute away their staples for tastier but less nutritious foods.³⁷ In the United States, food subsidies have been shown to increase the intake of intended foods

and nutrients among pregnant and postnatal women, but not among men and adults.³⁸ Although evidence is scarce and inconclusive so far,³⁹ some argue that food subsidy programs that fail to adequately account for food quality end up subsidizing products like sodas and high-calorie, less nutritious foods, therefore unintentionally contributing to obesity.⁴⁰

Poorly designed food subsidies that lack transparency, accountability, and promotion of healthy foods most likely will fail to sustain positive effects on either nutrition, inequality or growth, and instead could take resources away from more productive uses and threaten macroeconomic stability. Technologies that improve targeting, public information, and accountability; reliance on existing safety nets; and sensible compensation interventions have been components of successful food subsidy reforms in Gabon, Ghana, Indonesia and Jordan, as reported by the IMF.⁴¹ Even though such measures also bear a fiscal cost, they are long-run investments in smart subsidies. The alternative is disheartening: the estimated fiscal bill of continuing the food subsidies in the Middle East and North Africa region through 2030 roughly doubles the estimated US\$125

Box 1. The Current Debate of Food Consumer Subsidies in India

The National Food Security Act 2013 (still to be approved by the Indian Parliament at the time of this *Food Price Watch*) will guarantee cheap supplies to a widened set of the population: 75% of the rural and 50% of the urban population will be entitled each month to 5 kilograms of rice, wheat, and coarse grains at fixed nominal prices of 3, 2 and 1 rupee per kilogram (or US5¢, US3¢, and US2¢), respectively.^a Such a program would roughly represent about 25% of the annual production of grains in India.^b The program is currently under intense debate in India.^c Those against the program highlight prevailing targeting deficiencies in the Public Distribution System in charge of operationalizing the distribution of subsidized food to the poor; the existence of already more comprehensive and inclusive food programs in other states; the automatic exclusion of beneficiaries in rural and urban areas against the principle of right to food; and, ultimately, the conviction that the bill is only a fraction of what is required to deal with nutrition problems in the country. Those supporting the bill argue that it will precisely improve targeting by further prioritizing those who need it the most and will make good use of current huge grain stocks and a distribution system already in place that reaches remote and poor villages typically outside the scope of alternative options (such as, for example, a hypothetical cash transfer program operationalized by banks). Advocates also underscore the additional steps taken by the act in terms of entitling pregnant women and lactating mothers, children under six, and school-age children with maternity benefits, nutritious foods (cooked meals or take home rations) and cooked mid-day meals, respectively, free of charge. Furthermore, they argue that examples of successful programs in other states show that the Public Distribution System is improving and could improve further with additional reforms on transparency and management practices.

a. The National Food Security Bill 2013, <http://www.thehindu.com/news/resources/national-food-security-bill-2013/article4538647>.

b. This rate is in line with the historical rates of public procurement of grains between 20 and 25%, reported by A. Gulati, J. Gujral, T. Nandakumar with S. Jain, S. Anand, S. Rath, and P. Joshi, “National Food Security Bill Challenges and Options,” Discussion Paper No. 2, Commission for Agricultural Costs and Prices, Department of Agriculture & Cooperation, Ministry of Agriculture, Government of India, New Delhi, December 2012.

c. J. Dreze, “The Food Security Debate in India,” *The New York Times*, July 9, 2013; R. Khara, “Revival of the Public Distribution System: Evidence and Explanations,” *Economic and Political Weekly* 46 (Nos. 44 and 45): 36–50, November 5, 2011; Himanshu and A. Sen “Why Not a Universal Food Security Legislation?” *Economic and Political Weekly* 46 (12): 38–27; March 19, 2011; and multiple articles in favor and against the bill from http://www.righttofoodindia.org/right_to_food_act.html.

billion that would compensate for the global losses from child malnutrition through 2030, according to a study by Save the Children.⁴² These are staggering amounts of resources that the world cannot afford to mismanage in a persistently uncertain context of high food prices.

Endnotes

1. Note that the price variation reported by the FAO Food Price Index for the same period between February and June 2013 is a marginal increase of 0.2%, instead of the decrease of 2% reported by the World Bank's Food Price Index. This difference is explained by the fact that the Bank's index does not include milk and dairy products, which are included in the FAO's index. The prices of milk spiked in April from localized milk shortages in New Zealand, the world's top exporter (see FAO, Food Price Index, May 2013).
2. Regarding year-on-year variations, internationally traded prices of wheat stand 13% higher than a year ago, and maize prices 12% higher. Rice prices, however, are about 10% lower than in June 2012.
3. FAO, *Food Outlook*, June 2013.
4. These expectations have been more uncertain and complex and have resulted in a more volatile evolution of maize prices compared to wheat prices, as described in the previous paragraph. Expectations at the end of the quarter have strengthened and point to record levels and increases in maize inventories (AMIS [Agricultural Market Information System], *Market Monitor*, No. 9, June 2013), even though the current expectations of maize supplies are lower than expected earlier (USDA, *World Agricultural Supply and Demand Estimates* [WASDE] 520, July 11, 2013; USDA, *Acres Report*, June 28, 2013). Earlier unfavorable weather in April and mid-May caused some delays in planting in the United States, which impacted the expectations of March, which had indicated the largest planted area in the country since 1936 (AMIS, *Market Monitor*, No. 8, May 2013; AMIS, *Market Monitor*, No. 7, April 2013).
5. This increase is the result of favorable margins for ethanol producers and higher prices for Renewable Identification Numbers (RINs; USDA, WASDE, June 10, 2013).
6. AMIS, *Market Monitor*, No. 8, May 2013; USDA, WASDE, June 10, 2013.
7. AMIS, *Market Monitor*, No. 9, June 2013.
8. FAO, *Food Outlook*, June 2013.
9. *Ibid.*, p. 26.
10. In China, wheat losses in the country's recent harvest due to wet weather likely will affect its stocks (M. Sadler, *Domestic Market Report*, World Bank, June 29, 2013). USDA (WASDE 520) confirms that projected wheat stocks for China declined in July compared to its previous June estimates.
11. In addition, AMIS reports those estimates as "surprisingly large" (AMIS, *Market Monitor*, No. 10, p. 2), a sentiment shared by a growing number of grain analysts, as reported by Reuters, "USDA in bull's eye again with key corn stocks report due Friday" (June 28, 2013). Also, as indicated above, the USDA (WASDE 520) report adjusts downward the supplies of maize in the United States based on the reduced planted area, although the projected world's production for 2013/14 is still more than 12% above that of 2012/13.
12. As indicated by T. Polansek ("For Record US Corn Crop, It's Make or Break in Last Week of July," July 15, 2013, http://www.ubs.wallst.com/ubs/mkt_story.asp?docKey=1329-L1N0FFORB-1&first=0), instead of a nationwide crop that matures steadily over four weeks, spreading the risks of bad weather over that period, an unprecedented share of the crop will be exposed to bad weather in a shorter period of time, about the last 10 days of July, concentrating higher risks in that period of time.
13. FAO, *Food Outlook*, June 2013.
14. Bloomberg, "Rice Exports from Thailand to Advance as Support Prices Cut," June 19, 2013; The Star Online, "Thai Government Stuns Market by Scraping Cut in Rice Price," July 2, 2013.
15. Wall Street Journal, "India Approves Grain Sales to Reduce Stock," June 21, 2013. It is, however, unclear the extent to which the program could potentially affect export supplies availability. Ultimately, it will depend on substitution and income effects on beneficiaries (and nonbeneficiaries, if they finance the subsidy).
16. Egypt has experienced difficulties in buying wheat imports in the markets, securing only a large purchase early in July since its previous purchases in February (Reuters, "France Still Considering Egypt Grain Aid, Trade Doubtful," July 1, 2013).
17. World Bank, *Commodity Market Outlook*, Volume 2, July 2013.
18. Nigeria is affected by reduced supplies and civil unrest, while South Africa is affected by the recent reduced harvest and a depreciated currency (FAO GIEWS, *Global Food Price Monitor*, July 10, 2013).
19. FAO, *Global Food Price Monitor*, July 10, 2013.
20. "Some exporting countries" refers to Myanmar, Cambodia, India, and Pakistan.
21. However, in other monitored markets in Chennai, Mumbai and Delhi, prices of wheat have remained more stable, even decreasing during the same period. This is also true for the price of rice in those markets vis-à-vis price variations reported in Patna.
22. FAO GIEWS, *Global Food Price Monitor*, July 10, 2013; FAO GIEWS, Country Briefs, <http://www.fao.org/giews/countrybrief/>; USAID FEWS NET, *Price Watch*, May 2013 Prices," June 28, 2013.
23. Substantial increases in Somalia were due in part to increases in port fees, while in Rwanda increases were due to heavy rain damages, and in India and Pakistan increases were related to export pressures, tight supply, and public procurement (FAO GIEWS, *Global Food Price Monitor*, July 10, 2013; FAO GIEWS, Country Briefs, <http://www.fao.org/giews/countrybrief/>; USAID FEWS NET, *Price Watch*, "May 2013 Prices," June 28, 2013).
24. Price increases in Sudan (Khartoum) are associated with reduced imports and depreciation; in Belarus increases are associated with inflation and the easing of price regulation; in Moldova with sharp increases of imports; and in Tajikistan, the Kyrgyz Republic, and Bolivia with increasing import prices and fuel and transport costs (FAO GIEWS, *Global Food Price Monitor*, July 10, 2013; FAO GIEWS, Country Briefs, <http://www.fao.org/giews/countrybrief/>; USAID FEWS NET, *Price Watch*, "May 2013 Prices," June 28, 2013).
25. *Ibid.*
26. This figure refers to Morelos rice, which is typically less consumed than the Sinaloa rice in Mexico. Prices of the Sinaloa rice have been more stable between June 2012 and July 2013.
27. Annual variations in the price of rice in other markets (Patna, Mumbai, and Delhi) experienced more moderate increases.
28. Some of the most studied food consumer subsidies are schemes in Bangladesh, Egypt, India, Pakistan, Sri Lanka, and Tunisia (D. Coody, "Designing and Evaluating Social Safety Nets: Theory, Evidence and Policy Conclusions," FCNDP Discussion Paper No. 172, IFPRI, Washington, DC [2004]).
29. For instance, some 33 out of a sample of 98 countries whose policies were followed during the 2007/8 food crisis adopted price subsidies, while 38 countries adopted food assistance, and 33 price controls (I. Ortiz, J. Chai, and M. Cummis, "Escalating Food Prices: The Threat to Poor Households and Policies to Safeguard a Recovery for All," Social and Economic Policy Working Paper, UNICEF [2011]).
30. For a discussion on the arguments and empirical evidence, see H. Alderman and K. Lindert ("The Potential and Limitations of Self-Targeted Food Subsidies," *World Bank Research Observer* 13 [2]: 213–29 [1998]); T. Besley and R. Kanbur ("Food Subsidies and Poverty Alleviation," *Economic Journal* 98: 701–19 [1988]); D. Coody, M. Grosh, and J. Hoddinot ("Targeting Outcomes Redux," *World Bank Research Observer* 19 [1]: 61–85 [2004]); and J. Von Braun ("Implications of Consumer-Oriented Food Subsidies for Domestic Agriculture," 92–107, in *Food Subsidies in Developing Countries: Costs, Benefits and Policy Options*, ed. P. Pinstrup-Andersen, Baltimore, MD: John Hopkins Univ. Press [1988]).
31. IMF, *Survey Magazine*, May 14, 2012, <http://www.imf.org/external/pubs/ft/survey/so/2012/car051412b.htm>.

32. D. Coady, M. Grosh and J. Hoddinot (“Targeting Outcomes Redux”) include 122 transfer programs from 48 countries between 1985–2003 in their study. This study concludes that a government spends about US\$3 for each US\$1 spent of food subsidies to benefit the poorest 40% of its population (in fact, it spends more if transactions costs are included). In effect, the analysis of 48 developing countries finds that the bottom 40% typically receives 34% of the benefits of food subsidies, compared to about 60% for food rations and stamps.
33. The publicly distributed rice by the National Food Authority (NFA), has declined sharply coinciding with the introduction of the conditional cash transfer program known as 4Ps. The NFA procured 763,000 metric tons in 2011, down from 1.8 million metric tons in 2006, as reported by the NFA (<http://www.nfa.gov.ph/index.php?lt=3>).
34. As a whole, IMF reports that Middle East and North Africa region subsidies on fuel and electricity represent roughly half of the world’s expenditure on energy consumer subsidies (IMF, *Survey Magazine*, May 14, 2012).
35. Elsewhere, only Maldives, Burundi, and Timor-Leste spend more in proportional terms on food subsidies. A total of 11 countries in the world spend more than 0.5% of their GDP on food consumer subsidies. These shares contrast with 0.25% of GDP in the United States or 0.10% in Ethiopia, for example (these figures are for 2008, reported by the World Bank [“Egypt’s Food Subsidies: Benefit Incidence and Leakages,” September 16, 2010]).
36. A. Mehtaa and S. Jha, “Corruption, Food Subsidies, and Opacity: Evidence from the Philippines,” *Economic Letters* 708–11 (2012).
37. For evidence of this substitution in China, see R. Jensen and T. Miller (“Do Consumer Price Subsidies Really Improve Nutrition?” [2011]), in India, see A. Kochar (“Can Targeted Programs Improve Nutrition? An Empirical Analysis of India’s Public Distribution System,” *Economic Development and Cultural Change* 54 [1]: 203–35 [2005]), A. Tarozzi (“The Indian Public Distribution System as Provider of Food Security: Evidence from Child Nutrition in Andhra Pradesh,” *European Economic Review* 49: 1305–30 [2005]), and J. Behrman and A. Deolalikar (“The Intrahousehold Demand for Nutrients in Rural South India: Individual Estimates, Fixed Effects, and Permanent Income,” *Journal of Human Resources*, 665–96 [1990]).
38. These results come from a meta-analysis of 14 studies reporting dietary intake or health outcomes in the United States spanning 1983 to 2010 (A. Black, J. Brimblecombe, H. Eyles, P. Morris, H. Vally, and K. O’Dea, “Food Subsidy Programs and the Health and Nutritional Status of Disadvantaged Families in High Income Countries: A Systematic Review,” *BMC Public Health* 2012, 12:1099–2023, <http://www.biomedcentral.com/1471-2458/12/1099>). Specific to the U.S. food stamp programs, H. Hoynes and D. Schanzenbach (“Consumption Responses to In-Kind Transfers: Evidence from the Introduction of the Food Stamp Program,” *American Economic Journal: Applied Economics* 1 [4]: 109–39 [2009]) exploit this difference in timing to evaluate the impact of the program and show that it led to an overall increase in food expenditures, as expected. J. Butler, J. Ohls, and B. Posner (“The Effect of the Food Stamp Program on the Nutrient Intake of the Eligible Elderly,” *Journal of Human Resources* 20 [3]:405–20 [1985]) find very small effects of the Food Stamp Program on the nutrient intake of the eligible elderly, either through stamps or cash.
39. A study by Kaul found that cereal subsidies increased the caloric intake of beneficiaries by more than what was implied by its impact on cereal consumption alone (T. Kaul, “Household Response to Food Subsidies: Evidence from India,” University of Maryland, College Park [2013]).
40. D. Ludwig, S. Blumenthal, and W. Willett explicitly argue that U.S. food subsidies (FSNAP, formerly Food Stamps) may have been effective in both reducing undernutrition, but also contributed to the expansion of the obesity epidemic (“Opportunities to Reduce Childhood Hunger and Obesity Restructuring the Supplemental Nutrition Assistance Program [the Food Stamp Program],” *Journal of the American Medical Association* 308 [24]: 2567–68 [2012]).
41. IMF, “Fuel and Food Price Subsidies: Issues and Reform Options,” Fiscal Affairs Department, September 8, 2008.
42. The net present value at 5% of the annual US\$22 billion between 2012 and 2030 amounts to US\$248 billion (Save the Children, “Food for Thought: Tackling Child Malnutrition to Unlock Potential and Boost Prosperity,” http://www.savethechildren.org/atf/cf/%7B9def2ebe-10ae-432c-9bd0-df91d2eba74a%7D/FOOD_FOR_THOUGHT.PDF [2013]).