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### Philippines to tender rice from Thailand or Viet Nam

The Philippines will ask Thailand and Viet Nam to submit tenders to supply the country with 100 000 tonnes of rice, Agriculture Secretary Proceso Alcala told the Manila Standard Today newspaper in late May. Which country wins the bid in the government-to-government deal will depend upon which offers the best price, he said. Thai rice is considerably more expensive than rice from Viet Nam, with 5 percent broken rice from Thailand selling for USD 602 a tonne in May compared with USD 434 a tonne for Viet Nam's rice. Thailand's 100 percent white grade B, the industry benchmark, was selling for USD 613 a tonne. Alcala said the purchase was within the government's goal to not exceed 500 000 tonnes for imports of rice in 2012.

### Global food prices fell sharply in May

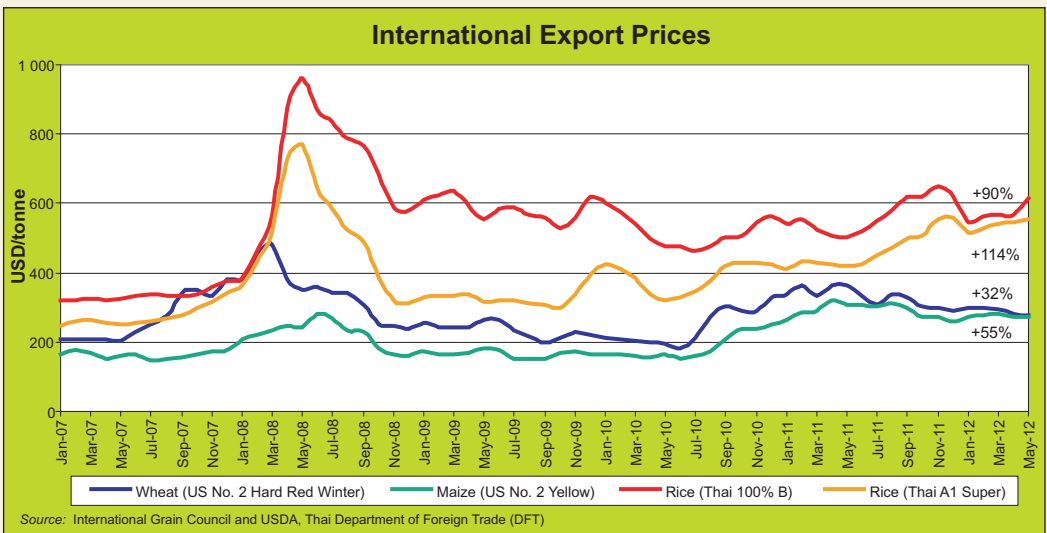
Favourable supplies, global economic uncertainty and a stronger US Dollar drove global food prices down sharply during May, with the FAO Global Food Price Index falling by 4 percent in May from April. The Index stood 14 percent below its peak in February 2011. Nonetheless, the FAO cautioned that prices were still high in historic terms and that the longer-term trends are for prices to rise.

"Crop prices have come down sharply from their peak level but they remain still high and vulnerable due to risks related to weather conditions in the critical growing months ahead," said FAO's grain analyst Abdolreza Abbassian.

Prices for fats, oils, dairy products and sugar fell by significant margins, while prices for cereals and meats were largely stable. Dairy prices fell by 12 percent, largely on rebuilding of supplies in major markets. Oils and fats fell by 6.8 percent, reversing a rising price trend, as soybean production improved in the **United States**, and economic problems in the **European Union** led to a drop off in demand. Sugar prices fell by 9 percent, the third consecutive month of declining prices, as production improved in **India**, the **EU** and **Thailand**. Meat prices moved downwards by about 1 percent.

Cereals also fell by about 1 percent, with wheat registering the sharpest declines followed by maize. Rice prices rose as some countries stocked up ahead of the Ramadan holiday. FAO has raised its forecast for cereals production in 2012 by 48.5 million tonnes since April to 2 419 million tonnes, a 3.2 percent increase over last year and a new record. The increase is based largely on expectations of a strong maize harvest in the United States.

Figure 1: Selected international cereal prices



Compared to the previous season, this would increase world stocks by 36 million tonnes, or 7 percent, a significant increase, especially as FAO is predicting world trade in cereals will only increase marginally this year.

## Domestic prices

Rice prices were rising during May in several countries, while the price of wheat weakened. In **Afghanistan**, rice rose by 10.3 percent and maize by 11.9 percent, as wheat fell by 1.6 percent. Basmati rice prices in neighbouring **Pakistan** climbed 8.1 percent during the past month and were 28 percent higher than prices one year ago. Standard rice rose by 2 percent during May and wheat declined by 2.3 percent. **India** saw its rice prices move upwards by 7.2 percent as wheat remained unchanged. Rice prices were steady in **Bangladesh**, but wheat flour slid by 1.6 percent. In the mountain kingdom of **Bhutan**, red rice prices fell by 9.1 percent in May. Prices for all commodities surged in **Myanmar** as the central bank aimed for a weaker currency. Rice rose by 16.4 percent, wheat by 10.3 percent, maize by 8 percent and soybean by 14.1 percent.

The trend in rice prices was reversed in **China**, which saw its rice prices fall by 2.3 percent as other commodities held steady. **Indonesia** posted similar data, with rice sliding by 1.5 percent and other commodities stable. **Lao PDR** and the **Philippines** showed no movement in prices except for a 2 percent rise in the price of maize in the Philippines. Rice fell by 3.2 percent in **Viet Nam**, but rose by 13.8 percent in **Thailand**.

In the Pacific, price volatility continued as cassava prices dropped by 18.8 percent in May and dalo-tausala taro slid by 14.3 percent in **Fiji**.

## UN rapporteurs urge Southeast Asian governments on food security

Two United Nations Special Rapporteurs have warned Southeast Asian governments that land grabbing is threatening the food security of indigenous people in the region. They called on governments not to sideline the human rights of communities that derive their livelihoods, traditions and ways of life directly from their natural environments.

In a joint statement Olivier De Schutter, the Special Rapporteur on the Right to Food, and James Anaya, the Special Rapporteur on the Rights of Indigenous Peoples, said that large-scale land acquisitions for mono-cropping and biofuel development were violating the rights of local communities.

"Governments must step up their vigilance in regard to large-scale land acquisitions to ensure that the fundamental rights of these communities are not violated, be they small-farmers, fishers, hunters, foragers or craftsmen. Governments must not be seduced by the promises of developers. All too often, this is to the detriment of existing land users," they said.

As an example, they pointed to moves to convert 1-2 million hectares of rainforest and small-scale farming plots to an export-led crop and agrofuel plantation in the Meruake region of **Indonesia**. They said this could affect the food security of 50 000 people. In the Isabel region of the **Philippines**, some 3 000 hectares of so-called 'idle' land has been converted to sugar cane for agrofuel production, with a further 8 000 hectares to be added. The impacts of this land transformation on the

Figure 2: Trends in domestic prices for key commodities in selected countries

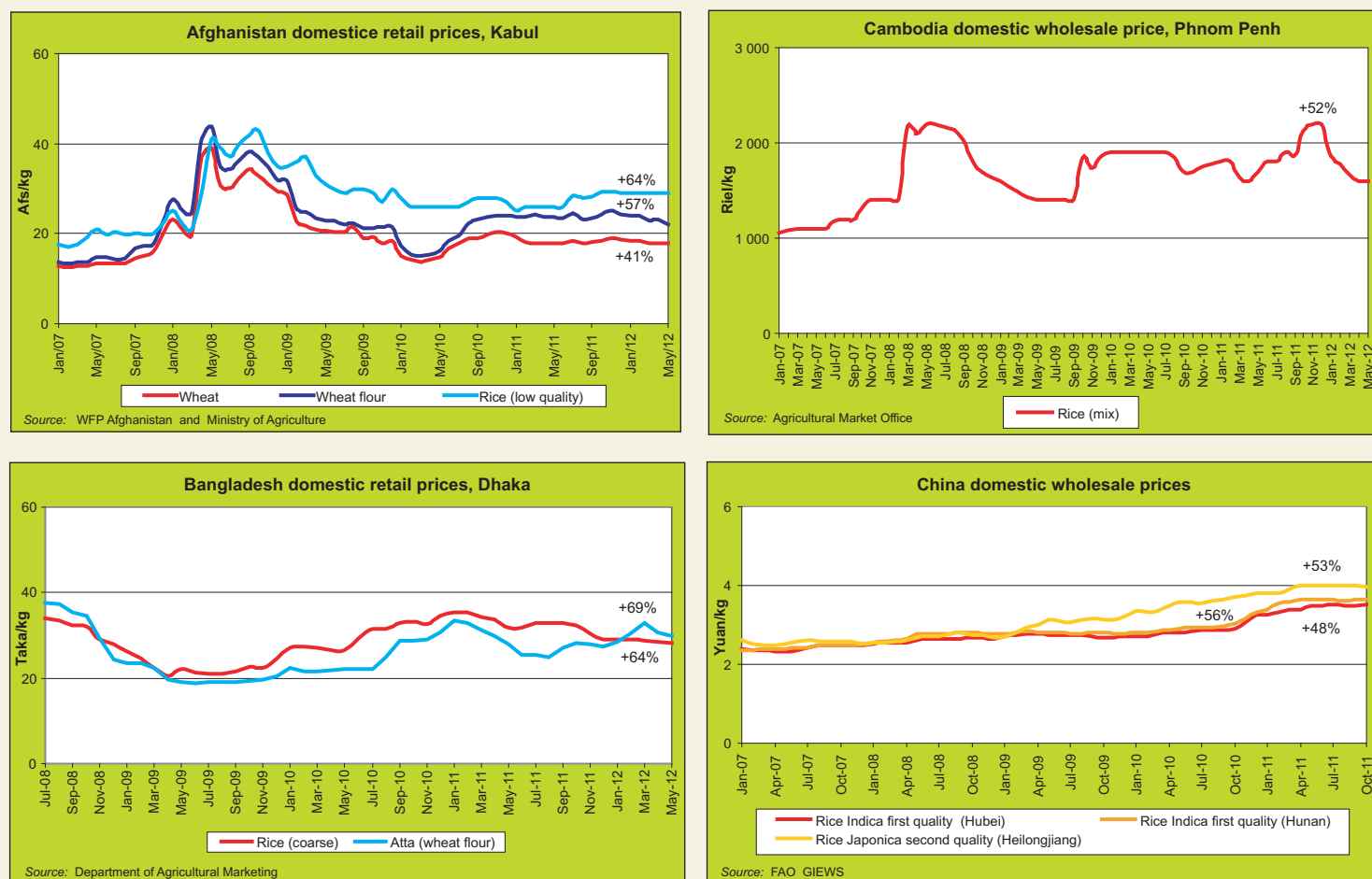
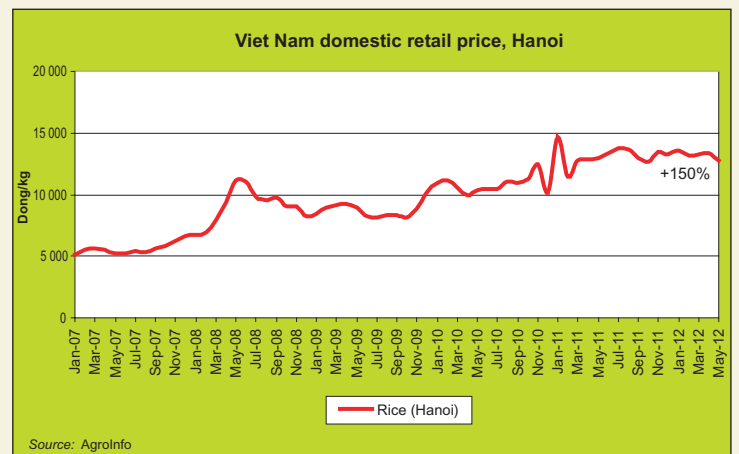
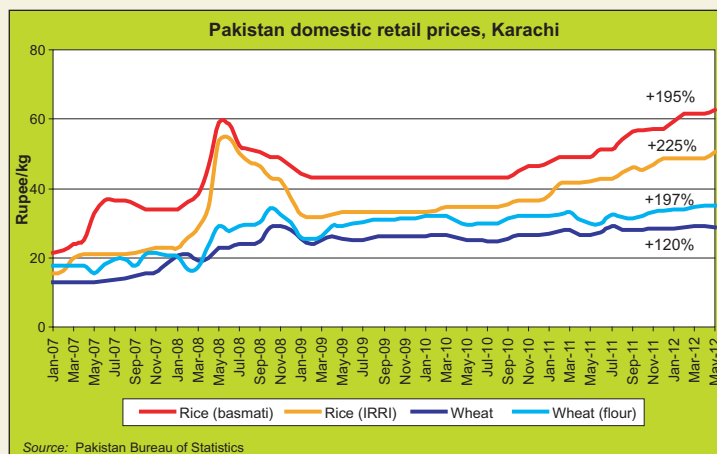
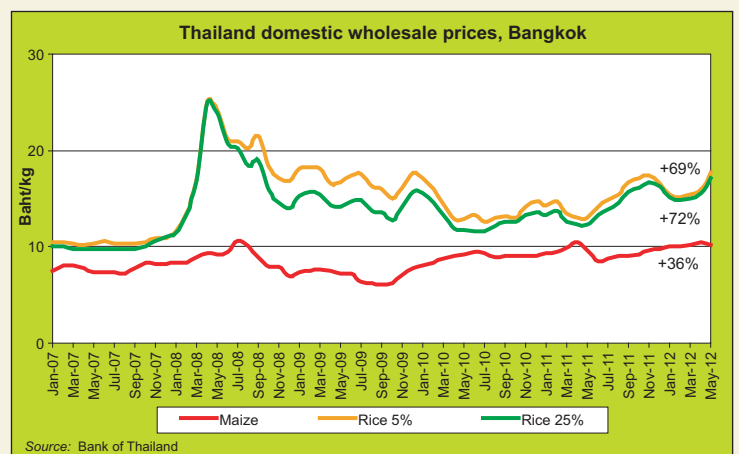
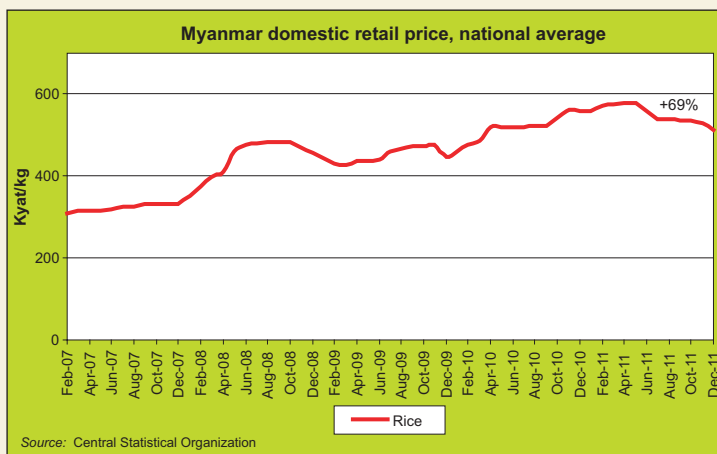
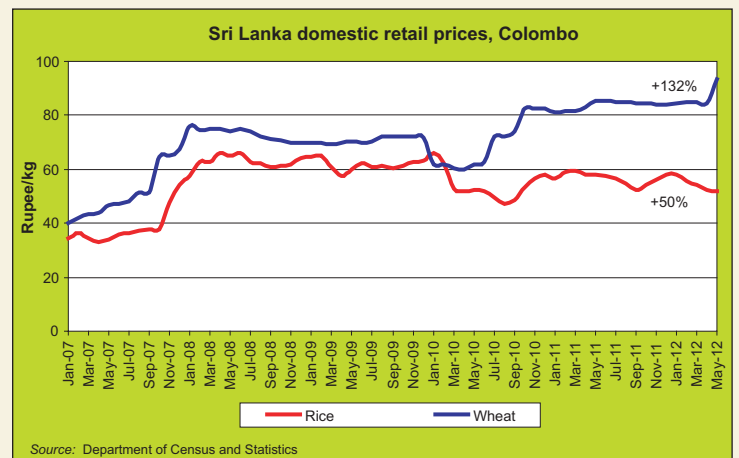
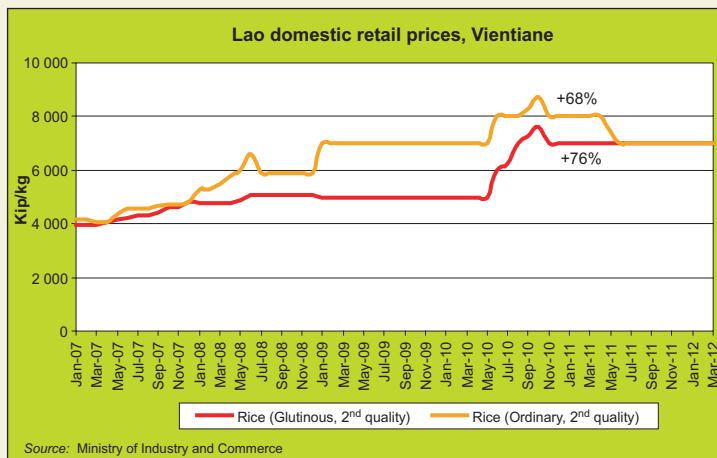
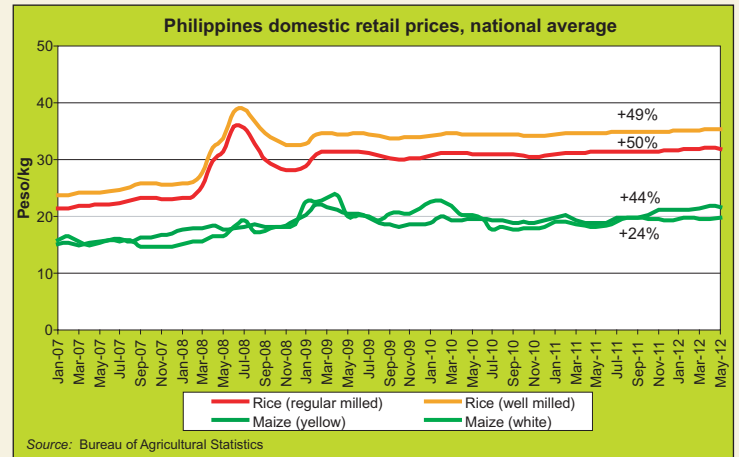
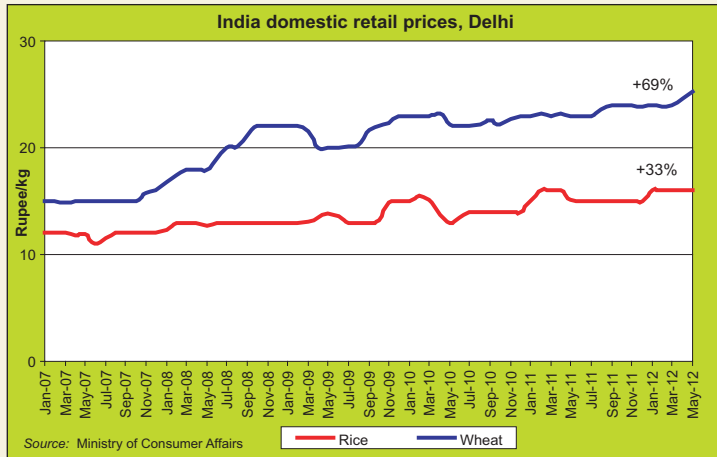


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



45 000 people in the area are uncertain at best, they said, adding that there was a lack of transparency and consultations with local peoples in both the Indonesian and Philippines cases.

### **Cambodia's Hun Sen appeals to OPEC on rising food prices**

Cambodia's Prime Minister Hun Sen is appealing to the Organization of Petroleum Exporting Countries (OPEC) to consider the impacts of the rising cost of fuel, saying the prices set by the oil cartel are a key factor driving food prices higher, the Phnom Penh Post newspaper reported.

"If we increase food prices to balance with fuel prices, it would cause people to die. This is a big issue," said Hun Sen during a speech to open the Food Security and Nutrition Seminar, hosted by the government in partnership with the UN, USAID and NGO Caritas and attended by 500 representatives of government and civil society.

Hun Sen called on FAO and the World Food Programme to raise this issue for international debate, referring to it as his initiative. Cambodia imports 100 percent of its oil, and the agriculture sector is dependent upon fuel for use in farm machinery and transporting goods to mills and markets.

When fuel costs rise, fewer resources can be devoted to sectors such as agriculture. Speaking at the same seminar, FAO Regional Representative for Asia and the Pacific Hiroyuki Konuma said that under-investment in agriculture leads to malnutrition. "The cost of malnutrition is borne not only by individuals and families but by the entire nation. Loss of GDP from undernutrition can be as high as 3 per cent," he said.

Although inflation in Cambodia was running at 5.49 percent year on year for the first quarter of 2012, Secretary of State for the Ministry of Economy and Finance Hang Chuon Naron told the Post that that level was still manageable and not as bad what some other countries in the region were experiencing. Milled rice prices increased by 6.67 percent during the same period, and pork rose by 19 percent.

Food security is still a major issue in Cambodia, even though productivity among farmers has been increasing in recent years and harvests have improved. The country has high rates of child malnutrition and Deputy Prime Minister Yim Chhay Ly, who also heads the Council for

Agricultural and Rural Development, said in a press release that improvements in nutrition had stagnated during the past five years. Cambodia has had success in reducing maternal and under-five mortality.

### **Cambodia pursuing agro deals with Thailand and China**

Cambodia and Thailand have agreed to set up special agricultural export zones in Cambodian provinces bordering Thailand, and Cambodian officials are negotiating with China for a USD 200 million loan to help develop the rice sector, the Phnom Penh Post reported.

The Commerce Ministers of Thailand and Cambodia agreed to the special zones at a meeting of their Joint Trade Committee in Bangkok in late May. The goal is to increase exports of Cambodian agricultural goods to Thailand by 30 percent this year and to circumvent any bans on imports. Thai governors in border provinces have occasionally imposed bans on Cambodian imports during difficult economic times. The special zones will make it easier for Thai companies to set up warehouses for agricultural goods in Cambodia where commodities can be stored before being exported. Thai agro companies have been buying more commodities from Cambodia and exporting them to other countries because prices of Thai commodities have been rising.

Cambodia is seeking a loan from the Chinese Import-Export Bank to help develop its agricultural sector, but most of the funds would be used for the rice sector if the loan is approved, Son Khun Thor, president of the Rural Development Bank told the paper. The money is earmarked for building more rice mills, with some intended to improve cultivation techniques. Hun Sen has set a goal of exporting 1 million tonnes of rice a year by 2015.

### **Generation gap challenges Thai agriculture**

Thailand's prowess as the world's largest rice exporter faces challenges in the future because its younger generation doesn't want to farm, according to a report by the New York Times. Citing government statistics, the paper said that only 12 percent of Thai farmers today are younger than 25, compared to 35 percent in 1985. The average age of Thai farmers today is 42, up from 31 in 1985. The trend was underscored by a recent Bangkok Post report that cited historic lows in enrolments in agricultural programmes at Thai universities.

"The move away from the rice paddies is not altogether surprising, as Thailand and other rice-growing countries in Asia are following patterns of industrialization seen elsewhere. But the transition is especially challenging for Thailand, where the growing of rice – notably the prized jasmine variety – is entwined with the country's identity, and its livelihood," the Times said.

The Times quoted a middle-aged Thai rice farmer complaining of the younger generation that "all they can do with their hands is use a mobile phone." The paper said that Thais view farming as an occupation that has low social status. Furthermore, according to government statistics, the average farmer has an average debt of about USD 3 300.

### **India seeking to export more wheat to Iran**

India is hoping to sell more wheat to Iran by offering lower prices than rival Pakistan, a Ministry of Food official told the Wall Street Journal. Both countries are negotiating and hope to reach an agreement so that exports can begin in the middle of June.

India is offering wheat to Iran at USD 280 a tonne, lower than wheat from Pakistan that sells for USD 290 to 300 a tonne. Iran is concerned, however, that Indian wheat exports be free of fungal diseases. Iran's options, however, are limited as the country is under economic sanctions from many Western nations. India, meanwhile, is eager to export as much grain as possible because it is facing a storage crisis following improved harvests. Punjab province, for instance, has already harvested 1.2 million tonnes of wheat this growing season, but only has storage capacity for 1.1 million tonnes. Punjab provides 60 percent of India's wheat and rice.

### **India and Myanmar to open agricultural research centres**

India and Myanmar will work together to establish two agricultural research centres, according to an agreement signed during a visit to Myanmar by Indian Prime Minister Manmohan Singh at the end of May. The centres will be located in Nay Pyi Taw, the capital of Myanmar.

India will provide financial and technical assistance to found the Advanced Centre for Agricultural Research and Education, which will explore the use of cutting-edge technology along with traditional knowledge and ecological conservation. At a joint press conference with Myanmar President Thein Sein, the two leaders also



announced plans to set up a Rice Bio Park to demonstrate "available techniques of sustainable rice biomass utilization," reported Asian News International, a news website based in India.

Thein Sein also thanked India for donating USD 10 million worth of agricultural machinery to Myanmar's farmers, and for constructing a cyclone-proof rice silo at a model integrated farm in the Myanmar capital. Myanmar requested further assistance from India in the areas of dairy development, cattle breeding, vaccine technology and assistance in setting up a milk and milk product factory in Shan State in the eastern region of the country.

Myanmar was once Asia's leading rice exporter, but decades of isolation saw the agriculture sector stagnate, and rice and food production decline, as Myanmar became a Least Developed Country. Recent reforms and moves towards more openness are providing an opportunity for Myanmar to rebuild its agricultural prowess, but efforts are in their early stages. Myanmar exported 844 200 tonnes of rice in the 2011-12 fiscal year, and is aiming to exceed 1 million tonnes this year. Economist Sean Turnell, an expert on Myanmar at Macquarie University in Australia, has said that Myanmar's abundant natural water resources provide the country with tremendous potential for agricultural development.

In a related development, Myanmar's Ministry of Health announced in May that it is formulating and will soon adopt standards and restrictions on the use of pesticides in drinking water. Government officials from various ministries and departments agreed on the standards for 14 commonly used pesticides at a May 17-18 workshop

in Yangon organized by UNICEF. Representatives from domestic agro-chemical companies also attended. The standards will be based on WHO guidelines with some local adaptation. The policy sets standards for acceptable levels of bacteria, organic and inorganic matter and arsenic in drinking water. The Occupational Health Department will be responsible for checking levels of pesticides and other contaminants in bottled water.

### Experts divided on China maize outlook

China's increasing need for maize has experts divided on the extent to which the country will increase corn imports in coming years. Agronews, an industry website, is reporting that China will increase its maize imports by 60 percent through 2013, to 7.9 million tonnes from 5 million tonnes. It said that many analysts are predicting even bigger increases in maize imports the following year. China is the world's second-largest producer and importer of maize. Until recently, China was a maize exporter.

However, Dragonomics, a consultancy that specializes in analysis of economic trends in China, said that although concerns over China's ability to produce enough maize were justified, it did not expect a massive jump in imports in the near future. "Domestic maize yields can still rise, the government can use stocks and other tools to fill gaps in supply, and there are substitutes for maize in animal feed. So rather than waiting for China to cause a structural tipping point in the global maize market, we think it's more realistic to expect a gradual rise in imports over the next few years," Dragonomics wrote in a May report.

### New and improved data portals from FAO and partners

FAO and the Global Information Early Warning System (GIEWS) have launched an improved version of their Food Price Data and Analysis Tool. The new version allows for column filtering for faster searches, more supplementary information on consumer price indexes and US Dollar exchange rates, a time axis slider to isolate periods of interest, and dynamic updating. The tool is available on the GIEWS website and can be accessed at <http://gaez.fao.org/Main.html#>.

In addition, FAO has with the International Institute for Applied Systems Analysis (IIASA) developed the Global Agro-ecological Zones (GAEZ) Portal. The portal is a planning tool designed to help to identify areas for increased global food production while maintaining natural resources and facing the challenge of climate change.

"GAEZ can help identify where there are 'bridgeable yield gaps' and what causes them, allowing for the formulation of appropriate investment policies and the provision of appropriate support to farmers to help them produce more food" says Parviz Koohafkan, Director of FAO's Land and Water Division. Yield gap is the difference between how much food a farm actually produces and can potentially produce. The GAEZ system has an extensive inventory of the world's agricultural resources and related data.

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