



FOOD AND AGRICULTURE ORGANIZATION OF THE
UNITED NATIONS
REGIONAL OFFICE FOR ASIA AND THE PACIFIC

AUGUST 2012

Table of contents

- Drought expected to slash Russian wheat exports 1
- Concern as food prices rise 6 percent in July 2
- Domestic prices mostly stable around the region 2
- FAO lowers global rice forecast on India's short monsoon 4
- Paddy production to reach record highs in Viet Nam 4
- Indonesia likely to buy rice this year 4
- Bangladesh floods cause rising food insecurity 4
- Food aid needed for flood victims in DPRK 5
- Bhutan says it will go 100 percent organic 5

List of figures

- 1: Selected international cereal prices 1
- 2: Trends in domestic prices for key commodities in selected countries 2



Drought expected to slash Russian wheat exports

Drought spreading across Russia is expected to cause a sharp drop in exports of grain, and in particular wheat, raising concerns that the government may eventually impose an export ban. The International Grains Council (IGC) has downgraded its forecast for Russian wheat exports to 9 million tonnes, while analyst firm SovEcon is predicting 10 million tonnes of exports for the 2012-2013 agricultural year. Both forecasts are less than half the 22 million tonnes Russia exported in the 2011-2012 agricultural year. Total Russian grain exports that year were 28.1 million tonnes.

Export prices for Russian grains have hit new record highs in the country's Black Sea ports, according to Reuters news agency. The southern region near the Black Sea, which is the country's 'bread basket' and where the harvest is already complete, has seen yields drop by 30 percent. Yields have fallen by 50 percent in the Volga region where spring wheat has yet to be harvested. Several areas in Siberia, which along with the Ural Mountains are the remaining prime regions where growing is still underway,

have declared a state of emergency because of drought. Temperatures in Siberia and the Urals have not fallen below 30 degrees Celsius in a month, the agency reported. Russian authorities have been relying on the country's grain stocks to help keep domestic prices from skyrocketing.

Coupled with damage to the maize crop in the United States caused by that country's worst drought in 50 years, the situation in Russia portends negatively for grain prices, which rose 23 percent in July alone. According to FAO, while the situation is not yet a crisis, high food prices hurt poor people the most. The droughts in the U.S. and Russia show that even advanced agricultural systems are subject to the vagaries of weather and climate change, leaving food markets vulnerable to possible supply-side shocks. The organization urges individual countries not to take unilateral policy reactions that may upset the balance of trade in food and commodities.

Russia's recent entry into the World Trade Organization could complicate any move to impose an export ban, as it did during another drought in 2010, as the WTO discourages and severely frowns upon

Figure 1: Selected international cereal prices



such moves. But SovEcon analysts said that if the government's Food Security Commission decides a ban or limits are necessary because of a domestic food security situation, it would implement them despite WTO rules. Ukraine has restricted its exports and is also a WTO member, SovEcon said.

Concern as food prices rise 6 percent in July

A sharp rise in global food prices during the month of July has caused concern among those engaged in the fight against hunger and malnutrition. Rising prices for grains and sugar were the chief factors that sparked a 6 percent surge in the FAO Global Food Price Index for July. It was the first increase in average prices after three months of declines. The index averaged 213 in July, up 12 points from June, but still well below the record 238 set in 2008.

Grain prices rose dramatically during July, driven higher by droughts that have damaged maize crops in the

United States and wheat crops in the Russian Federation. Maize prices climbed 23 percent for the month, while wheat was 19 percent more expensive. Only rice, the staple grain in Asia, remained steady and largely unchanged. "Rice is the only bright spot which is keeping us away from a global food crisis," said Abdolreza Abbassian, a senior FAO economist in Rome. "The maize situation is very worrisome, while with wheat, the overall supply situation is still adequate."

Sugar also registered sharp gains, with prices rising by 12 percent. Too much rain hampered harvests in Brazil, the world's largest sugar producer, while too little rain in India and Australia also impacted prices. Fats and oils rose by 2 percent. Meat prices, however, fell by 1.7 percent. Dairy prices were essentially unchanged after five months of declines.

Relief agency Oxfam warned that the sudden surge in prices was a global

alarm as opposed to a gentle wake-up call. "Without action millions more people are in danger of joining the billion who are already hungry," Oxfam spokesman Colin Roche said. He echoed FAO calls on countries to "reverse decades of under-investment into small-holder agriculture," and asked the US and EU to end their biofuels programmes.

Domestic prices mostly stable around the region

Domestic prices were relatively stable around the region during July with price variations above/below 8 percent only in Afghanistan, Myanmar, Sri Lanka and Thailand.

In **Afghanistan**, low quality rice prices rose by 8.2 percent, while wheat prices moved upwards by 3.3 percent and wheat flour rose by 5.9 percent. **Bangladesh** saw its rice and wheat flour prices rise by less than one percentage point. In **Cambodia** prices for mixed rice were up 1.9 percent.

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

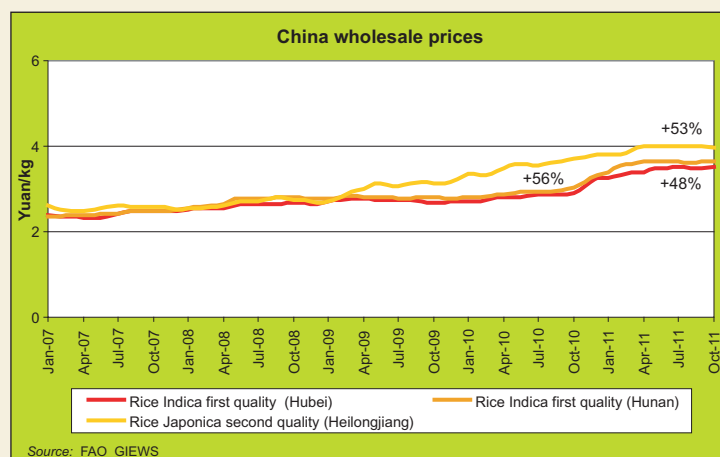
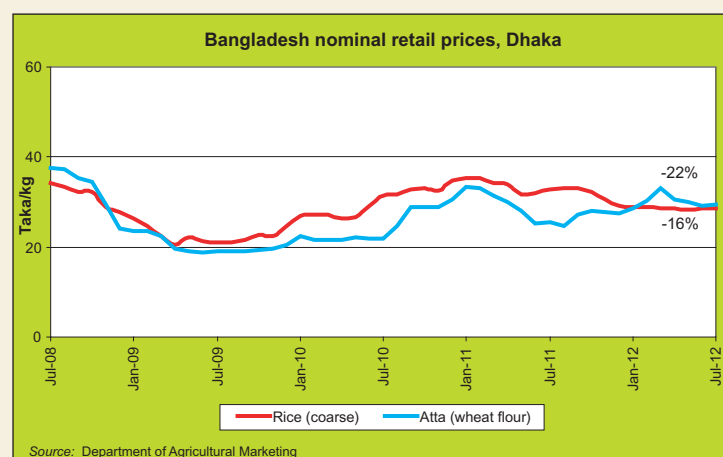
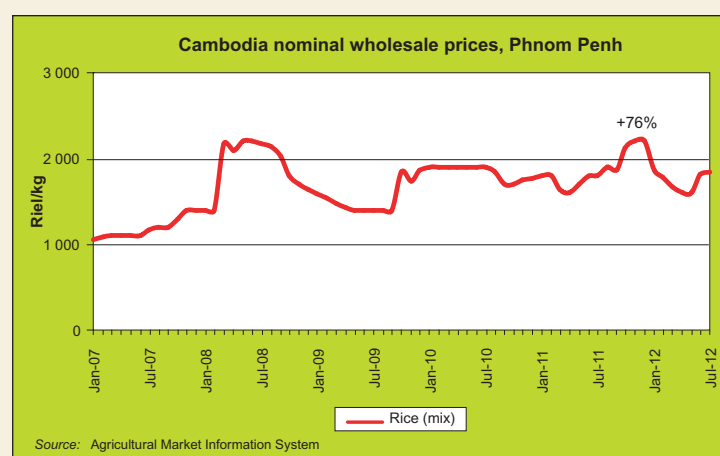
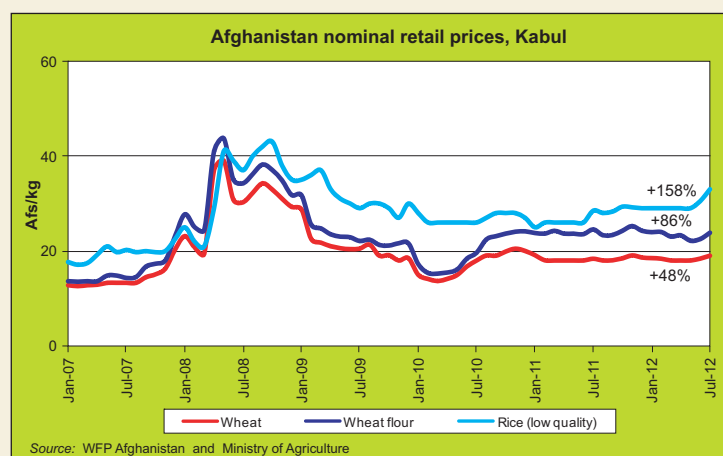
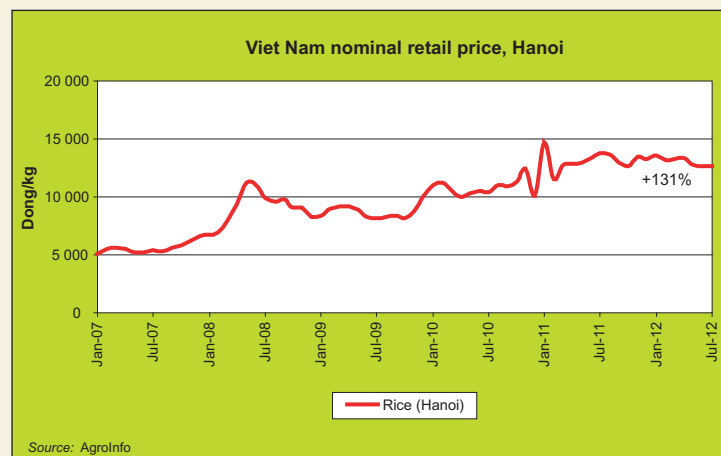
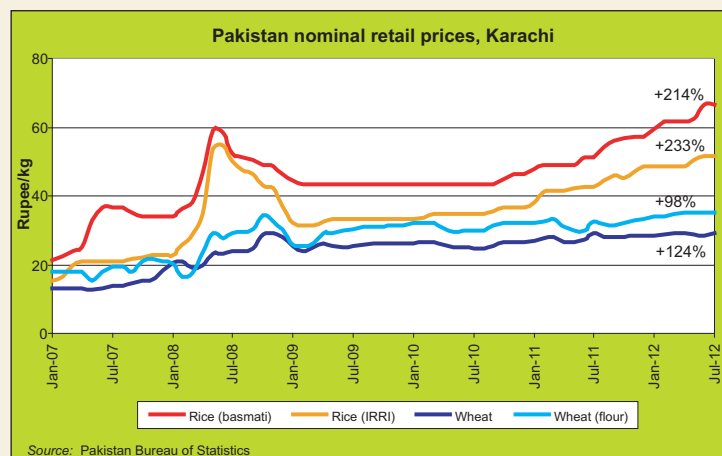
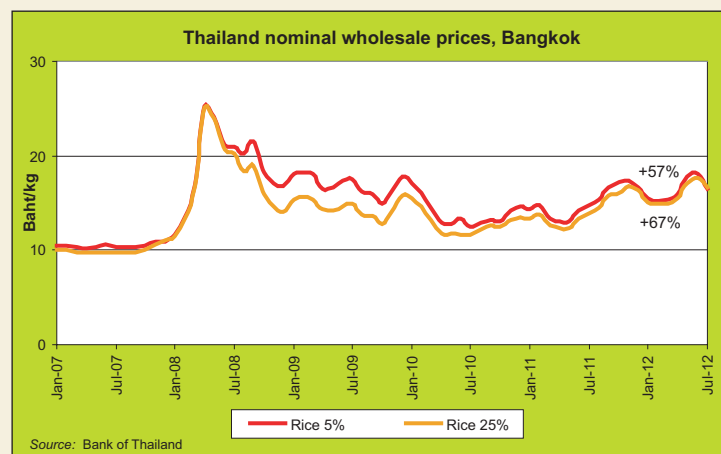
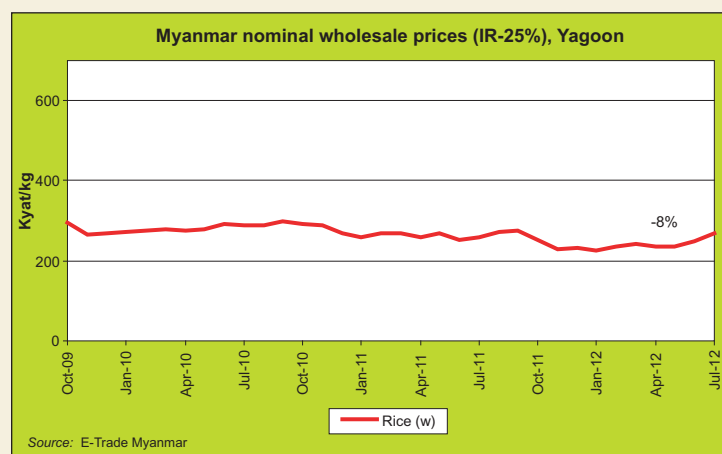
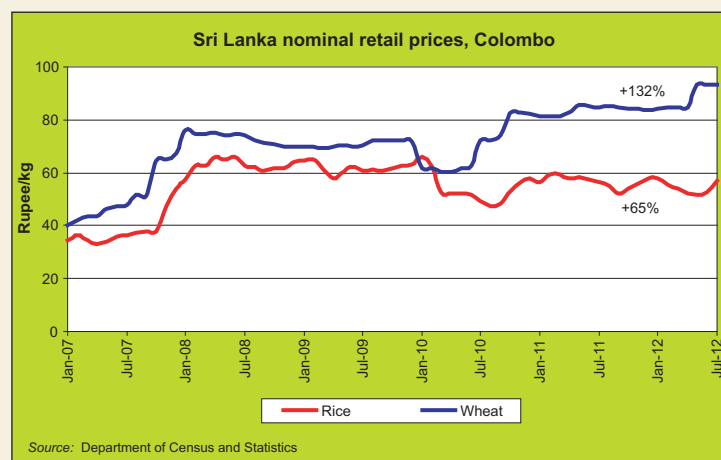
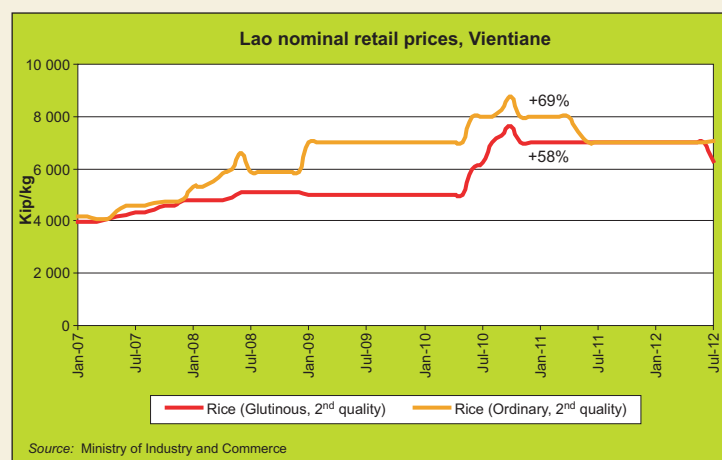
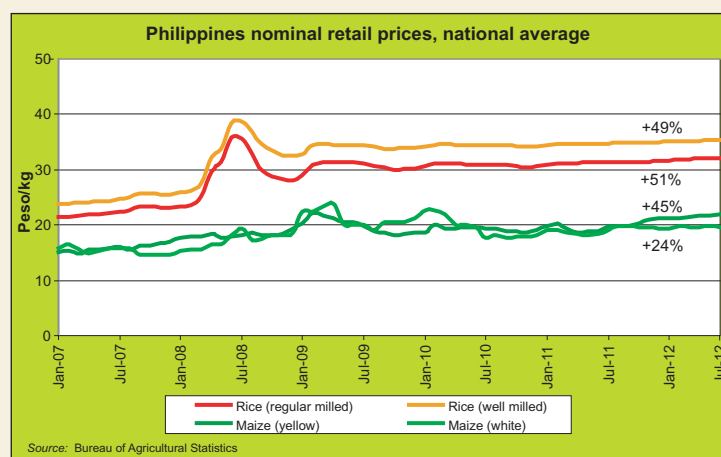
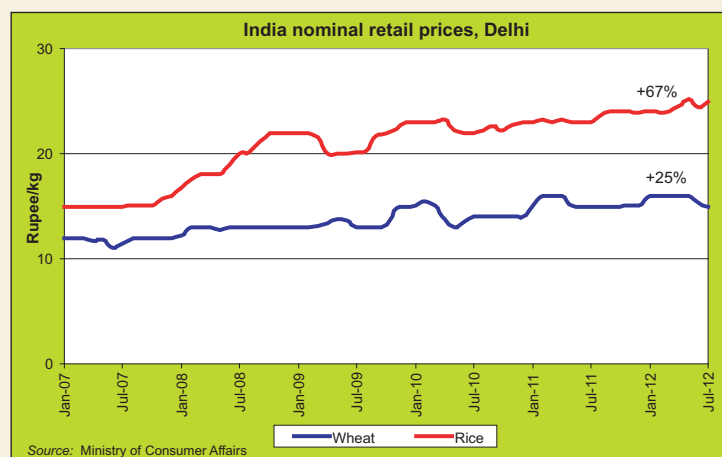


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



India experienced a 2.5 percent rise in rice prices, but a fall of 2.5 percent in the price of wheat. **Lao PDR** saw a sharp decrease in glutinous rice prices that fell by 10.2 percent, while ordinary rice edged downwards by only 0.6 percent. **Myanmar**, on the other hand, had its rice prices increase by 8.3 percent. Wheat prices in **Pakistan** were up by 2.2 percent, as wheat flour prices rose by 0.7 percent. Rice prices were steady.

Price movements for grains in the **Philippines** were marginal, as rice prices rose by roughly half a percentage point, but in **Sri Lanka** rice prices soared by 8.5 percent in July. **Thailand's** rice prices fell by 8.4 percent, for the 5 percent broken variety, and 5.27 percent for 25 percent broken. In **Viet Nam**, rice prices inched up by just 0.2 percent.

FAO lowers global rice forecast on India's short monsoon

A shorter than expected monsoon season in India has prompted FAO to cut its forecast for global rice production this year by 7.8 million tonnes, although output will still be marginally better than the excellent totals seen in 2011. Global paddy production is expected to reach 724.5 million tonnes (483.1 million tonnes on a milled basis), compared with the original forecast in April of 732.3 million tonnes (488.2 million tonnes on a milled basis).

Farmers in India are suffering from an average of 22 percent less rainfall this monsoon season, as measured through mid-July. The dry weather is expected to affect rice, wheat, sugar, cotton, onions and other crops. India's re-entry into the rice export market following restrictions forced by drought in previous years has helped keep world rice prices from rising. Prices, however, are likely to remain stable despite a reduced harvest in India. FAO said that abundant stocks held by many importing countries means the chances are minimal for a price rebound in coming months, although longer-term trends are still uncertain.

The global rice trade in 2012 is expected to decline by 1 million tonnes to 34.2 million tonnes, largely as a result of reduced import demand from Asian countries. Thailand is expected to face a sharp decline in exports, with Argentina, Brazil, China (Mainland), Myanmar, Uruguay and Viet Nam also shipping less rice.

Paddy production to reach record highs in Viet Nam

A country assessment by FAO's Global Information and Early Warning System (GIEWS) is forecasting record-high rice production in Viet Nam this year. With the harvesting of the 2012 winter/spring crop concluded, Viet Nam's General Statistics Office reported output of 20.3 million tonnes, a 2.4 percent increase over last year's bumper crop. The winter/spring harvest accounts for about 50 percent of annual output.

Good rains and increased plantings are expected to result in the annual crop reaching 42.5 million tonnes, slightly higher than the record set in 2011 of 42.3 million tonnes. Attractive international prices over the past two years have spurred farmers to increase plantings. Maize production is also expected to increase by 3 percent to 4.8 million tonnes, an excellent result. Nonetheless, Viet Nam will still need to import about 1.6 million tonnes of maize this year.

Viet Nam's rice exports are expected to slightly exceed last year's record of 7.2 million tonnes. According to Reuters news agency, the government has said it is aiming to maintain rice exports at between 6 and 7 million tonnes a year through 2015. China is now the largest buyer of rice from Viet Nam. The government also wants to keep roughly 1.8 million hectares of land in the Mekong Delta region for paddy production through the year 2020, despite rapid urbanization in the area. The Mekong Delta accounts for about 90 percent of Viet Nam's rice production.

In related news, the International Rice Research Institute has launched a new programme in northern Viet Nam in

which it works with farmers to take a pre-emptive approach to eradicating rats in rice fields. Rats destroy about 10 percent of the rice crop each year.

Indonesia likely to buy rice this year

Despite expectations that it will produce a 5.5-million-tonne surplus this year, Indonesia's Deputy Agriculture Minister said the government is likely to import an unspecified amount of rice in 2012, the Jakarta Post newspaper reported.

Although Indonesia will harvest enough rice for consumption, the imported rice will be used to build and replenish buffer stocks. President Susilo Bambang Yudhoyono had been expecting a surplus of 10 million tonnes. Indonesia usually buys rice from Viet Nam and Thailand, and is aiming to become self-sufficient in rice production by 2013. Indonesia's procurement agency Bulog has estimated the rice crop will total 38 million tonnes this year, a rise of 4.3 percent over last year.

Bangladesh floods cause rising food insecurity

Flooding and landslides in Bangladesh have caused extensive damage to seeds and crops affecting the livelihoods of millions of farmers and leaving thousands in a state of food insecurity, an official with the country's Disaster Management and Relief Division told the IRIN news agency.

The government has estimated five million people were affected by days of exceptionally heavy rain, and some 58 000 were displaced, although humanitarian agencies say the number was higher. While more than 100 people have lost their lives, many of the displaced have already returned to their homes as the rains have abated.

The government said that over 1 000 hectares of cropland was destroyed in eastern Bangladesh, and that fish farms and poultry farms were washed away. Rescue operations have ended and relief is now being provided. Among the items needed are food, water and water purification tablets.

"There will of course be an impact on food security because seedbeds have been affected, but it is difficult to quantify this currently," said Michael Dunford, World Food Programme deputy country director. "The next harvest season is not until October. WFP and others will continue to monitor the situation."

Food aid needed for flood victims in DPRK

Food aid is needed for flood victims in the Democratic People's Republic of Korea, the United Nations Office for the Coordination of Humanitarian Affairs has reported. Torrential rains across the country for nearly two weeks in late July caused flooding that damaged homes, public buildings, infrastructure and agricultural fields. On July 31, a United Nations mission assessed damage in the three counties the government said were most affected. The UN Country Team (UNCT) said that while the damage was evident, it could not verify figures provided by the government on casualties, homeless people and physical destruction in the three counties or other areas.

OCHA said "in the short term, immediate food assistance is required for the people in those counties most affected by the flood. Although flood damages have been observed in maize, soybean and rice fields, it is difficult to quantify the possible yield

losses at this juncture. Due to breakdowns of water supply systems and crowded places as a result of destruction of thousands of private homes, access to clean water and health care remain high priorities to avoid outbreak of diseases."

The UNCT and partners have already been delivering assistance and said that follow-up assessments missions will take place shortly. A joint FAO/WFP Crop and Food security assessment mission in September/October will examine the impact on crop production and household food security.

Bhutan says it will go 100 percent organic

The Himalayan kingdom of Bhutan has announced plans to become the first country in the world to adopt a 100 percent organic farming system, according to a report by National Public Radio (NPR) of the United States. Prime Minister Jigmi Thingley told participants at last month's Rio+20 Conference on Sustainable Development that his government is developing a National Organic Policy and that the country's farmers support the idea.

Bhutan has a population of only about 700 000 and most Bhutanese are farmers. Many of the country's farmers are already organic by default, as they

have little or no access to synthetic chemicals and fertilizers, and probably could not afford them if they did. Few farms, however, have been certified as organic. Organic food is becoming increasingly popular among wealthier consumers around the world, but only accounts for about 1 percent of all calories consumed.

Andre Leu, an Australian adviser to the Bhutanese government and the president of the International Federation of Organic Agriculture Movements, says Bhutan's goal is achievable. "I don't think it's going to be that difficult given that the majority of the agricultural land is already organic by default," he told NPR. He said, however, that there has been some resistance among officials trained abroad in more conventional farming practices.

Bhutanese farmers mainly grow rice and corn, as well as some fruits and vegetables, but as demand for food has grown in recent years, the country has been forced to import rice and other foods from India. Today, Bhutan is a net food importer. The Ministry of Agriculture told the radio program that the organic initiative is not just about the environment. It will also train farmers in new methods that will help them grow more food and move the country closer to self-sufficiency.

Economic, Social and Policy Assistance Group (ESP)

FAO Regional Office for Asia and the Pacific

39 Phra Atit Road, Bangkok 10200, THAILAND

Phone: +66-2-697-4250

E-mail: FoodAsia@fao.org

To subscribe, please e-mail listserv@listserv.fao.org, leave the subject blank and type subscribe Food-Asia-L

Disclaimer and Acknowledgements

This update is prepared with information from official and unofficial sources. None of the information in this update should be regarded as statements of governmental views. The designations employed and the presentation of material in this report do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.