



Asia Pacific Weekly Price Monitor
Regional Office for Asia and the Pacific

6 August 2012



Policy

Lao PDR is on track to complete its WTO accession negotiations after this year's summer break, and the country's membership in the Geneva-based trade body is expected to be formalised before 2012.

A new radio programme in **Myanmar** funded by the Livelihoods and Food Security Trust Fund (LIFT) has been broadcasting local market prices of crops, from sesame and maize to peas and groundnuts, twice a day since March. In addition, there is another complementary initiative to train farmers to analyse the information they hear so they can make better decisions.

Weather conditions

- Typhoons Saola, Damrey and more recently Haikui have brought the heaviest rains to northern and southern provinces along **China's eastern coast** since the beginning of August. Typhoon Haikui caused economic losses of more than CYN 10 billion (USD 1.57 billion), and damaged about 184,800 hectares of cropland (Xinhua, 8 August 2012).

- Tropical Storm Saola (Gener) turned into a typhoon on 30 Jul 2012. It did not strike **the Philippines** directly, but brought several days of heavy continuous rains to large parts of the country. Latest figures from the Provincial Disaster Risk Reduction and Management Council reveal that the cost of damages in agriculture is at PHP 847 million (USD 20.2): rice crops at PHP 234 million (USD 5.6); high-value commercial crops at PHP 12 million (USD 286,000); and fisheries, PHP 601 million (USD 14.3 million) among others (Government of the Philippines, 12 August 2012).

Prices

From August 2012, AP Weekly Price Monitor team has adjusted the criteria to flag unusual price movements. On a **weekly** basis, nominal price variations below 5 percent are considered "stable". On a **monthly** basis, nominal price variations below 10 percent are considered "stable". On an **annual** basis, nominal price variations below 25 percent are considered "stable". These modifications are also reflected in the price and policy section, as well as the monthly highlights.

Over the past week, staple food commodity prices remained relatively stable in most countries except for the following:

- Wheat prices in **Afghanistan**, **India** and **Myanmar** increased by 5, 7 and 6 percent respectively.
- Chicken prices in **Bangladesh** were 12 and 10 percent above the levels observed a month and three months ago, respectively.
- In **Bhutan**, rice prices fell by 9 percent from the third to the fourth week of July and were 2 percent below the levels registered a year earlier.
- In **Lao PDR**, glutinous rice prices fell by 12 percent and were 30 percent below the levels observed a month and a year ago. Pork prices dropped by 6 percent and were 13 percent below those observed a month ago.
- Finally, in **Samoa**, taro palagi prices increased by 31 percent from June to July. Taro palagi prices were 82 and 48 percent above the levels observed a year and three years ago, respectively.

For further detail, please refer to section on "Price and policy information at country level".



Rice

	↑	↓	→ (+/-10%)
Afghanistan			→ - 0.6%
Bangladesh			→
Bhutan			→ - 7%
Cambodia*			→ - 4%
China			→ - 0.8%
India			→ - 3%
Indonesia			→ 1.3%
Lao PDR**		↓30.2%	
Myanmar			→ 0.3%
Pakistan***			→
Philippines			→ - 1.2%
Sri Lanka	↑ 10.8%		
Thailand****			→ - 9%
Viet Nam			→ - 1.4%

*Rice mix, **glutinous rice, ***basmati variety, ****25% broken

International prices of wheat followed a similar trend to those of maize through July, averaging 23 percent higher than in June. Further deterioration of prospects for the 2012 wheat crop in the Russian Federation and high maize values underpinned prices. However, in Asia and Pacific Region, **nominal wheat prices** remained largely stable (+/-10%) in seven out of eight reporting countries. On a month to month basis wheat prices in Myanmar increased by 21 percent. Myanmar imports mainly wheat which is not produced locally. In 2012/13 (July/June) marketing year, the imports are forecast slightly above last year's level at around 160 000 tonnes, in response to increasing demand.

International rice prices have remained surprisingly stable, in sharp contrast with trends observed in the maize and wheat markets. In Asia and the Pacific Region, **nominal rice prices** remained largely stable (+/-10%) in most reporting countries (twelve out of fourteen). An 11 percent increase is observed in Sri Lanka. According to the Department of Census and Statistics of Sri Lanka, food price index alone increased by 7.5 percent on a month-to-month basis (June-July 12), strongly contributing to a 9 percent inflation increase (all items). According to the Ministry of Industries and Commerce (MoIC) In Lao PDR, a sudden 30 percent drop is observed for the first time since November 2010.

Wheat (grain/ flour)

	↑	↓	→ (+/-10%)
Afghanistan			→ 6%
Bangladesh			→ 6.4%
China			→ 1%
India			→ - 3.2%
Indonesia			→ 1.2%
Myanmar	↑ 21.3%		
Pakistan			→ - 3%
Sri Lanka			→ 0.1%

Maize

	↑	↓	→ (+/-10%)
Afghanistan			→
Myanmar	↑ 22.6%		
Philippines			→ - 0.4%
Viet Nam	↑ 14.3%		

Chicken

	↑	↓	→ (+/-10%)
Afghanistan			→ 2%
Bangladesh		↓15.7%	
Cambodia			→ 9.1%
China			→
Indonesia	↑ 14.3%		
Lao			→ - 5.2%
Thailand			→ - 1.7%
Samoa			→ 0.5%

Export prices of maize increased sharply in the first three weeks of July and remained firm to the end of the month. The increase in July largely reflected continuous deterioration of crop conditions in the main growing areas of the United States, affected by severe drought. Over the past month, **nominal maize prices** in Asia and the Pacific Region increased in Myanmar and Viet Nam by 23 and 14 percent, respectively; but remained relatively stable in Afghanistan and the Philippines.

International poultry prices remained largely stable during June (-1%). Overall **nominal chicken prices** in Asia and the Pacific Region remained largely stable (+/-10%) in six reporting countries (out of eight). In Indonesia prices increased by 14 percent while in Bangladesh they fell by 16 percent.

Vegetable oils

	↑	↓	→ (+/-10%)
Afghanistan (<i>cooking oil</i>)			→ 3.5%
Bangladesh (<i>soybean oil</i>)			→ 1.1%
Cambodia (<i>soybean oil</i>)			→
China (<i>soybean oil</i>)			→ - 0.2%
Indonesia (<i>soybean</i>)			→ 4.2%
Myanmar (<i>palm oil</i>)			→ 1.2%
Myanmar (<i>soybean oil</i>)			→ 5.6%
Thailand (<i>soybean oil</i>)			→

International fat/oils prices registered a 2 percent increase during July which has been primarily driven by soyoil, reflecting the tight supply and demand outlook for soybeans reaching record level prices. However, in Asia and the Pacific region, **vegetable oils/ cooking oil prices** remained largely stable (+/-10%) in all reporting countries.



IN FOCUS: THAILAND

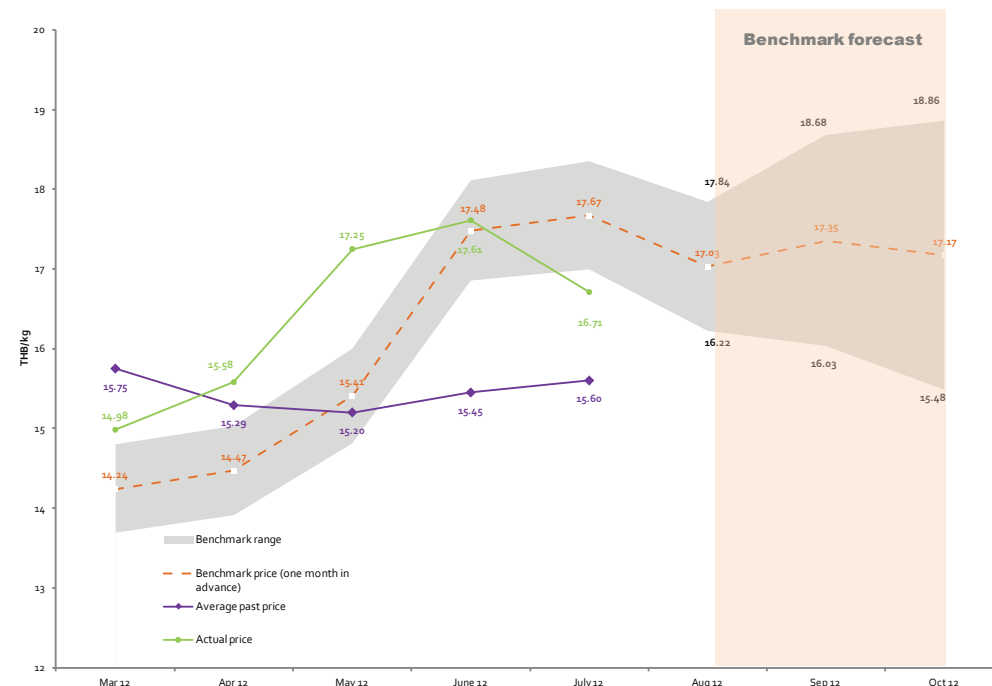
Price Movements (rice 25% broken, Bangkok market)

The benchmark price for August is THB 17.03 (with a benchmark range of THB 16.22 – 17.84 per kilo), which would represent a 12 percent increase from March 2012. Over the past five months, rice prices have been outside the benchmark range 4 times except for June rice prices. If prices follow normal seasonal patterns during the next three months, wholesale nominal prices for rice 25% broken are likely to increase within a benchmark range of THB 15.48-18.86 per kilo.

The graph shows that recent price movements have not been in line with those typically observed over the past 7 years. Towards mid-year, when the harvesting of the second crop (dry season) is finished and the sowing of the main season paddy crop is on-going, prices normally increase from May to July by about 3 percent (average past price line), but actual prices (green line) fell by 3 percent instead. From June to July actual prices show a sharp drop of 5 percent compared to a normal 1 percent increase on average past prices. During July, both export and domestic prices have been declining. Yet, they remained higher than Viet Nam and India's export prices. It is likely that the high level of government-held stocks with limited warehouse space and tight credit supply are putting pressure on domestic and export prices. According to USDA, the Government is holding total intervention stocks* of around 13 MMT milled equivalent, above the amount that Thailand exports are expected for this year (7.6 MMT)**.

* From the paddy pledging program, where the government purchases rice to farmers at guaranteed prices.

** Government Public Relations Department, 30 July 2012.



Technical notes

The FAO Price Monitoring Model is a simple tool designed to assist policy makers, farmers and traders in assessing whether recent price trends are in line with those typically observed in the past. The purpose of the model is to determine whether short-term price movements of a commodity exceed a benchmark which takes into consideration seasonality, inflation and historic variability. The model uses only data on past prices and the consumer price index (CPI) to capture these characteristics. It establishes an expected level of price for the following month along with a range of uncertainty generated by past deviations from expected prices. Price movements can be interpreted as "excessive" if prices fall outside the benchmark range. The difference between the actual price and the "benchmark price" (1 month in advance) that was forecasted for that same month is also calculated by the model although not shown in the graph. An additional feature of the model is to show the current level of prices relative to an average of past prices during the past four years (adjusted for inflation). For details on the model, please see: <http://www.foodsec.org/web/publications/briefs/>