



Asia Pacific Weekly Price Monitor

Regional Office for Asia and the Pacific

7 September 2012

AP-Weekly-Price-Monitor@fao.org



Policy

Regional

During the 44th **ASEAN** Economic Ministers Meeting (AEM), 10 ASEAN Member States took note of the progress made under ASEAN Framework on Equitable Economic Development (AFEED) for several topics and sectors, such as food security. They also held a dialogue with trade partners like China, South Korea, Japan, Australia, New Zealand, India, the United States, Canada and Russian Federation (ASEAN, 31 August 2012).

National

- The Government of **Indonesia** announced the re-establishment the National Logistics Company (BULOG) as a buffer stock agency to help stabilize prices of three major commodities: rice, sugar, soybean.
- **Thailand's** Cabinet re-established the National Rice Policy Committee (NRPC) and gave the green light to a new round of rice pledging for 2012/13 harvests, estimating that 78 percent of the total production (25.88 MMT from 33 MMT) will be sold to the government. The programme will be implemented from October 2012 to September 2013. Support prices have been set for ordinary rice at THB 15,000 (US\$480) per tonne; and THB 20,000 (US\$645) per tonne for fragrant rice.

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:

- During mid-August in **Fiji**, cassava prices dropped by 19 percent and Dalo-tausala (taro) prices fell by 9 percent.
- Wheat prices in **India** and **Pakistan** (wheat flour) increased by 12 and 8 percent, respectively.
- In **Indonesia**, chicken prices fell by 7 percent.
- In **Samoa**, taro palagi prices fell by 21 percent from July to August. Banana prices also fell by 33 percent during the same period of time.

Weather conditions

- In contrast to the flooding in the delta and Bago Region which has affected 600,000 acres (2.4 million hectares) and 10 percent of the paddy crop, many areas of central **Myanmar** have received little or no rain during the monsoon season, and only 60 percent of the targeted acreage for monsoon paddy crops had been sown in Mandalay Region (Myanmar Times and Democratic Voice of Burma, 3 and 6 September 2012).
- In **Pakistan**, flash floods and heavy rains had washed away livestock in Khyber Pakhtunkhwa and AKJ provinces (Government of Pakistan, 6 September 2012).
- A long dry spell that started in early May has negatively affected 288,000 hectares of 2012 maize cropland of the main season in the largest crop producing provinces in **Democratic People's Republic of Korea** (GIEWS, 20 August 2012).



Rice

	↑	↓	→(+/-10%)
Afghanistan			→ 1.9%
Bangladesh			→ 1.3%
Bhutan	↑ 10.5%		
Cambodia*	↑ 19 %		
China			→ 0.5%
India			→ 4.2%
Indonesia			→ 0.7%
Lao PDR**		↓ 25.7 %	
Myanmar			→ 6.3%
Pakistan***			→ -0.5%
Philippines			→ 1%
Sri Lanka			→ 3.3%
Thailand****			→ -1.5%
Viet Nam			→ 2%

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

Over the past month, global wheat prices continued to respond to strength in production, but were also supported by a worsening outlook for Black Sea and Australian wheat. However, good prospects for spring wheat harvests in North America capped overall price gains*. In Asia and the Pacific Region, **nominal wheat prices** remained largely stable (+/-10%) in six out of eight reporting countries. On a month to month basis, wheat prices in India and Myanmar increased by 13 and 14 percent, respectively. Myanmar imports most of the wheat it consumes, and it is directly affected by international prices. On the other hand, during July and August, Food Corporation of India has released 2.6 MMT of wheat to markets via Open Market Sales Scheme (OPSS) in response to recent price increases.

During August, renewed import demand sustained international rice quotations. In Asia and the Pacific Region, **nominal rice prices** remained largely stable (+/-10%) in most reporting countries (eleven out of fourteen). A 19 percent increase was observed in Cambodia due to delays in rainfall. There were unconfirmed reports that there has been an increase in rice smuggling to Thailand in recent weeks. In Bhutan, prices increased over 10 percent. In Lao PDR, data provided by Ministry of Industries and Commerce (MoC) indicates a 26 percent drop in August, in addition to a 30 percent drop observed during July, for the first time since November 2010.

Wheat (grain/ flour)

	↑	↓	→(+/-10%)
Afghanistan			→ 9.7%
Bangladesh			→ 6.9%
China			→
India	↑ 13.3%		
Indonesia			→ 1.8%
Myanmar	↑ 13.9%		
Pakistan			→ 3.5%
Sri Lanka			→ 0.4%

Maize

	↑	↓	→(+/-10%)
Afghanistan			→
Myanmar	→ 12.5%		
Philippines			→ -1%
Viet Nam			→

Export prices of maize increased sharply in July and remained high during August. This increase largely reflected continuous deterioration of crop conditions in the main growing areas of the United States. However, heavy rains in drought-hit areas in the United States, and the announcement that the Russian Federation would not impose export restrictions eased prices towards the end of the month. Over the past month, **nominal maize prices** in Asia and the Pacific Region increased by 13 percent, but remained relatively stable in Afghanistan, Philippines and Viet Nam.

International poultry prices remained largely stable during June (up 6% according to the FAO meat price index). Overall **nominal chicken prices** in Asia and the Pacific Region remained largely stable (+/-10%) in six reporting countries.

Chicken

	↑	↓	→(+/-10%)
Afghanistan			→ -2%
Bangladesh			→ 1.6%
Cambodia			→ -7%
China			→
Indonesia			→ -0.3%
Lao			→ -8.2%

Vegetable oils

	↑	↓	→(+/-10%)
Afghanistan (cooking oil)			→ -0.9%
Bangladesh (soybean oil)			→ -0.8%
Cambodia (soybean oil)			→ -2.3%
China (soybean oil)			→ 0.1%
Indonesia (soybean)			→ 6.8%
Myanmar (palm oil)			→ -1.2%
Myanmar (soybean oil)	↑ 12.4%		

International oils prices in August remained stable since July, and just above the ten year trend, although still below 2008 and 2011 highs. In Asia and the Pacific region, **vegetable oils/ cooking oil prices** remained largely stable (+/-10%); except for Myanmar soybean oil, that registered a 12.4 percent increase on a month to month basis.



IN FOCUS: INDIA

Price Movements (rice retail prices, National average)

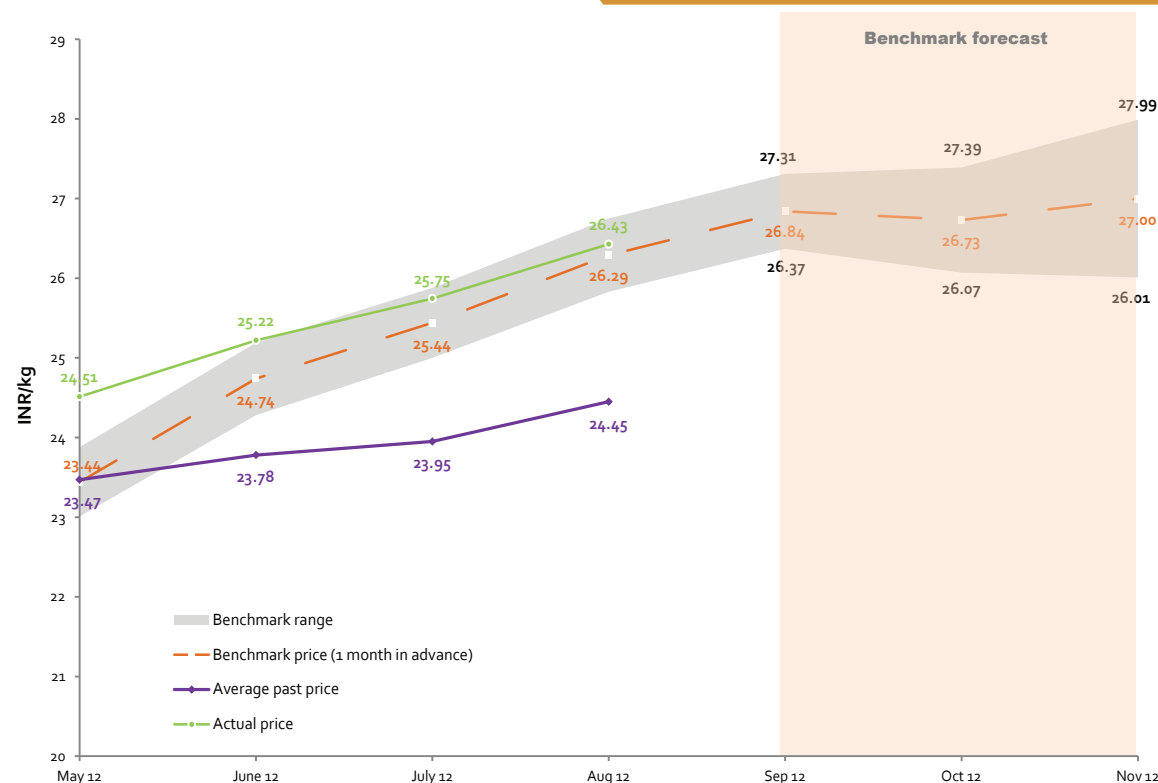
The benchmark price for September is INR 26.84 per kilo (with a benchmark band of INR 26.37 – 27.31 per kilo) which would represent a 13 percent increase from April 2012. Over the past five months, actual prices in India have been outside the benchmark range 2 times (May and June). If prices follow normal seasonal patterns during the next three months, retail nominal prices for rice in India are likely to continue increasing within a benchmark range of INR 26.01-27.99 per kilo.

The graph shows that recent rice price movements in India are in line with the general trend observed in the past (7 years). It also shows that actual prices have been consistently above average past prices by 1.5 percent.

Typically, rice prices increase seasonally from May to October, as this period corresponds to the interval between the end of the harvest from the Rabi season (May) and the beginning of the harvest in the Kharif season (October). Normally, from May to August, average past prices generally increase by just over 4 percent. This time around, however, actual prices increased by 7.8 percent.

Although earlier production estimates pointed to a record level of 104.3 MMT for 2010/11 -5 percent above the previous record (99.2 MMT in 2008/09)-, rice production forecast for 2012/13 is now expected to decline down to 94 MMT** due to deficient monsoon rains. It will be important to monitor how domestic prices evolve in the near future.

* Retail nominal prices have been averaged from 4 market points (Chennai, Delhi, Mumbai and Patna). **USDA (August 2012). Grain and Feed Annual Report, quarterly update.



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/>