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### Asia leads in hunger, more work needed on stunting

Asia and the Pacific remain home to the largest share of the world's hungry and undernourished, with more than 532 million people in the region lacking adequate food, according to the report *State of Food Insecurity in the World 2012* released in October. Globally, more than 870 million people are hungry and undernourished, says the report, jointly issued by the Food and Agriculture Organization, International Fund for Agricultural Development and the World Food Programme. The figures, however, were revised downward from previous reports, because the effects of the recent global economic turmoil on the food situation were not as severe as previously thought.

Nonetheless, the recovery is fragile, and a twin-track approach of economic growth and stronger safety nets is needed, said José Graziano da Silva, Kanayo F. Nwanze and Ertharin Cousin, respectively the heads of FAO, IFAD and WFP, in the foreword to the report. In addition, they cited the effect of hunger and undernutrition on children as a particularly serious problem.

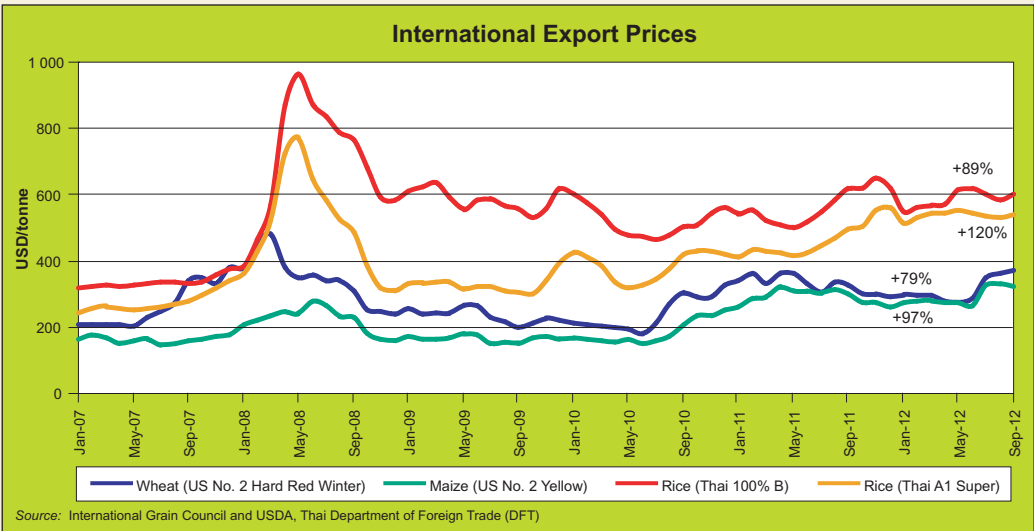
"In today's world, we find it entirely unacceptable that more than 100 million

children under five are underweight, and therefore unable to realize their full human and socio-economic potential, and that childhood malnutrition is a cause of death for more than 2.5 million children every year," the agency chiefs said.

Their statement came less than a month after Save the Children said stunting, especially in Asia, is holding back children's progress, and called for more action on the problem by governments and international agencies, upon the release of its 2012 Child Development Index. According to UNICEF's *State of the World's Children 2012*, more than one third of children under five in Asia are stunted, while 27 percent weigh too little for their age, and 13 percent are wasted.

In India and Nepal, stunting affects almost half of all children under five, while 59 percent of all Afghan children under five had moderate to severe stunting, and the figure for Timor-Leste was 58 percent, the report said. In addition, some analysts questioned whether cash transfers for food are effective in remedying the problem on their own, saying that recipients did not necessarily buy nutritious food, and as prices rose they tended to buy even less nutritious foods. Lack of knowledge about nutrition was cited as a problem. According to a 2010 FAO study, urban households in Asia

Figure 1: Selected international cereal prices



spent as much as half of their food budgets on cheap, low-nutrition foods.

### Global food prices edge higher, cereals supplies tightening

After two months of holding steady, average global food prices rose by 1.4 percent in September, as cereals supplies tightened, dairy products became more expensive and meat prices also moved higher, according to the FAO Global Food Price Index released in early October. The index stood at 216, up 3 points from the previous month.

The main driver of higher prices was a 7 percent average increase in the price of dairy products, as global demand for milk, cheese and other goods remained firm while costs for feed and other inputs became more expensive. Skim milk powder and casein prices both increased by 12 percent. Meat prices rose by 2 percent, with pig and poultry meat the biggest gainers, as they rely more intensively on feed, the price of which also rose.

Cereals showed a more modest price increase of 1 percent, as maize prices fell but wheat and rice prices rose. Cereals prices are 7 percent higher than at the same time last year, but 4 percent lower than their peak in April 2008. In its Cereals Supply and Demand Brief, FAO has revised its forecast for world cereal production in 2012 downward by 0.4 percent to 2 286 million tonnes. The new estimates confirm that production will not equal the records set in 2011 and will result in a significant reduction in inventories in 2013, accompanied by weakening demand because of high prices. While rice production remains virtually unchanged from last year, severe droughts in the **United States** and parts of **Europe** have reduced totals for wheat and coarse grains.

Global prices for fats and oils fell by 1 percent in September on a second consecutive month of falling prices for palm oil. Sugar prices, meanwhile, slid by 4.2 percent on improved crop prospects in **Brazil, China, India** and **Thailand**.

### Regional domestic prices largely stable

Domestic prices for basic grains around the region were largely stable from August to September, except in **India** which has endured a drier-than-usual monsoon season and where the price of wheat rose by nearly 14 percent, and rice rose by a more modest 4 percent.

After India, **Afghanistan** was the country that saw the most significant price movements with rice prices increasing 8.5 percent, wheat up by 3.8 percent and wheat flour up by 9 percent. Wheat flour prices also rose in **Bangladesh** by 4.5 percent, although coarse rice fell by about 1 percent. Rice prices rose in **China** by 1.6 percent, and meat prices rose by 2.5 percent.

In **Pakistan**, the prices for basmati and regular rice were stable as wheat prices fell by 1 percent, but wheat flour prices rose by 2.2 percent. Rice prices slipped slightly in the **Philippines** with regular milled falling by 0.15 percent and well-milled by 0.22 percent. White maize

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

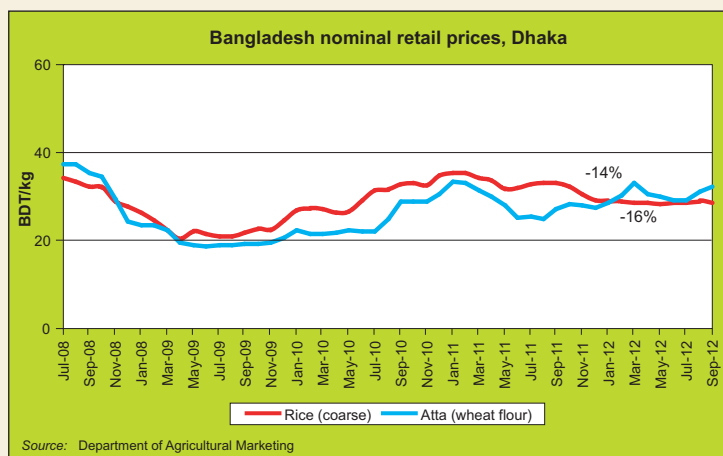
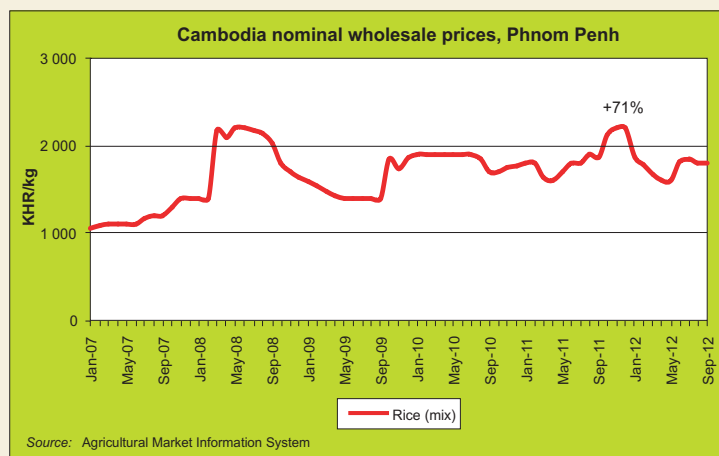
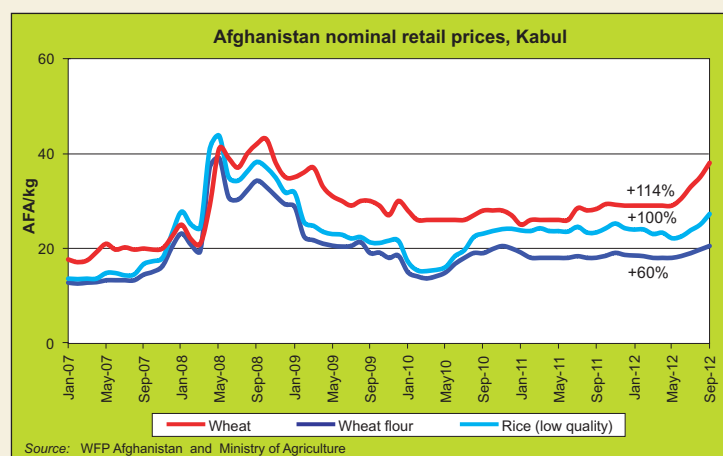
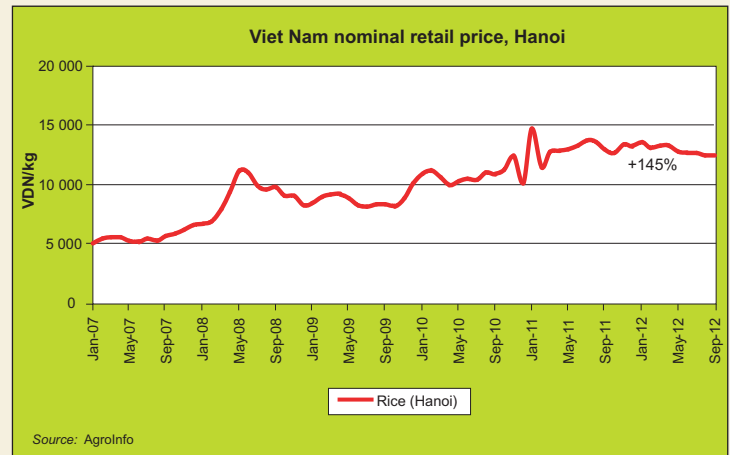
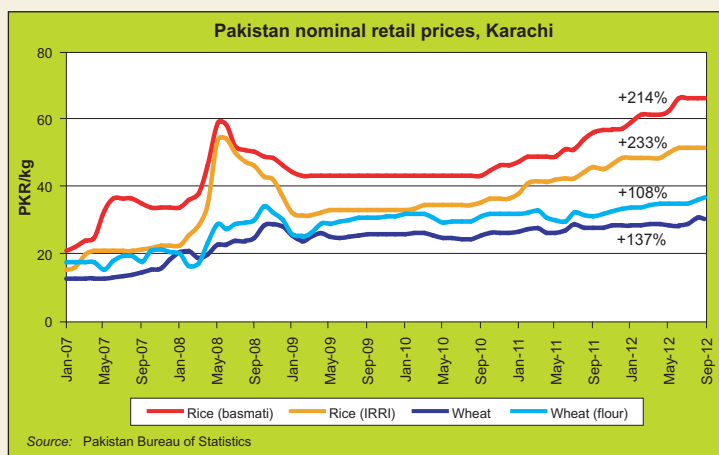
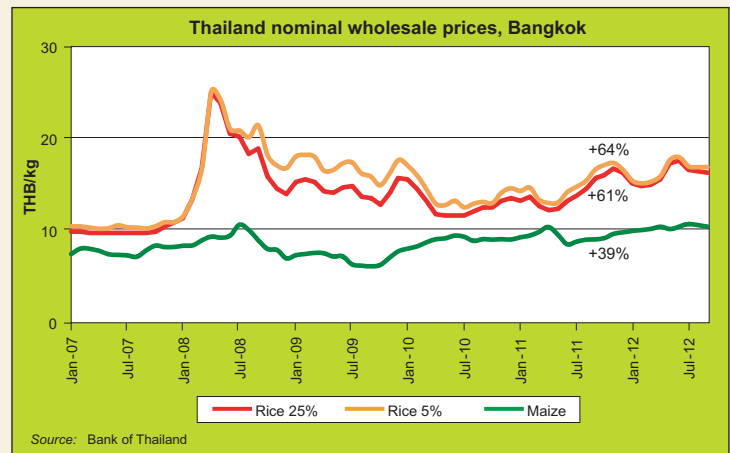
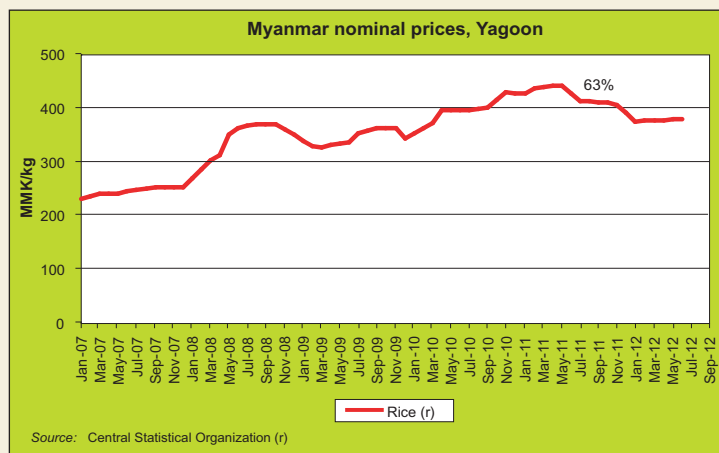
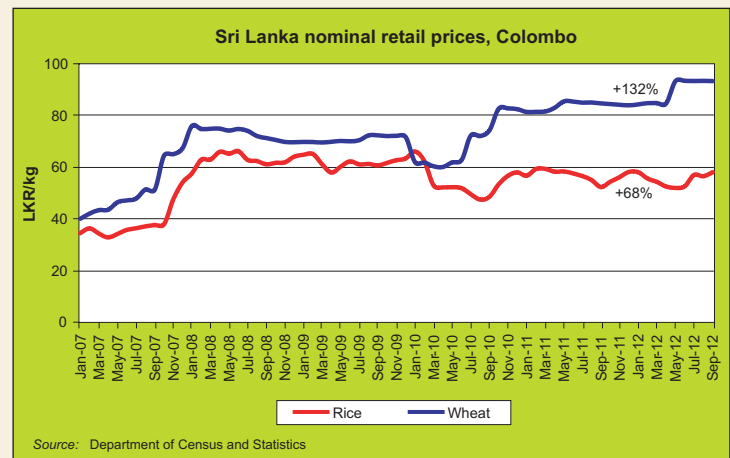
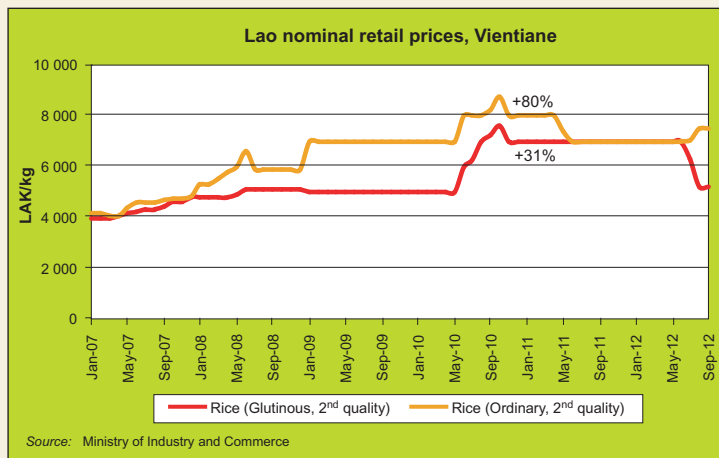
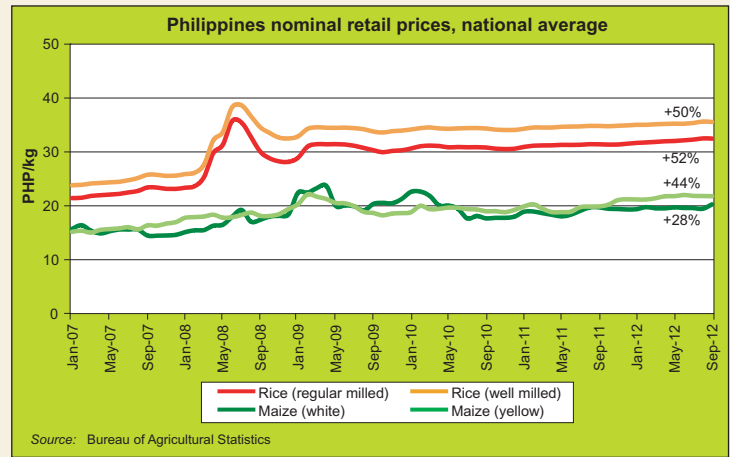
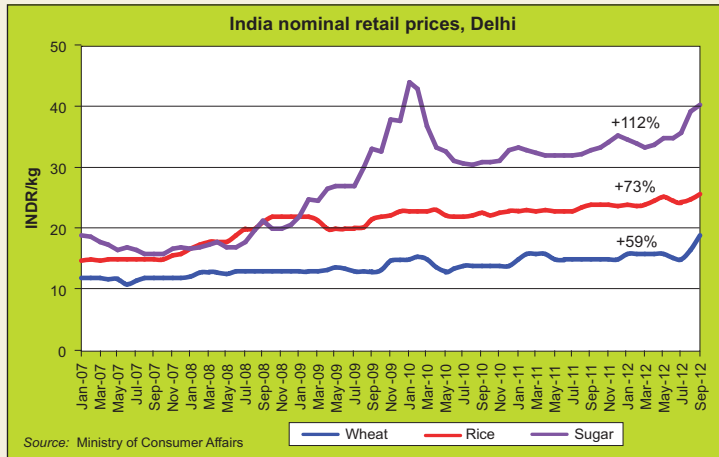


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



prices, however, rose by 4.2 percent, while yellow maize dropped by nearly 0.2 percent. In **Sri Lanka**, rice rose by 2.8 percent. Maize prices fell in **Thailand** by 2.6 percent.

### **Minister says India's grain exports stabilize global prices**

India's Minister of Agriculture said that his country's exports of grains have helped stabilize volatile world food prices, as statistics showed the country exported a record amount of rice during the past year. However, upcoming harvests are expected to fall short of last year's totals because of reduced rainfall.

"The exports from India have not only stabilized the global supplies but have helped in easing the ruling high prices to affordable levels," Minister of Agriculture Parad Shawar said at the High Level Regional Consultation on Policies to Respond to High Food Prices in Asia and the Pacific Region, organized by FAO in Bangkok 1-2 October 2012.

In recent years, India has turned around its agricultural performance. From having to import wheat in 2006-2007, India is now exporting the grain. Similarly, the country stopped exports of non-basmati rice for four years when domestic supplies fell short, but re-entered the export market in 2011. Global wheat and maize prices rose dramatically during July because of hot weather in the United States and the Russian Federation, and only stable rice prices prevented an even stronger surge in global food prices.

According to the US Department of Agriculture, "Indian non-basmati rice for export remains very price competitive." According to FAO's Rice Price Update, Indian 25 percent broken rice was selling for US\$399 per tonne in September. The USDA said the strong export demand for Indian rice was "unexpected" and has resulted in port congestion on the east coast with reports of about 6 million tonnes of rice currently waiting for export shipment.

However, prospects for the coming year are not quite as rosy, as Indian rice production is "poised to slump from a record as the worst monsoon since 2009 reduces planting, potentially lowering exports and boosting global prices," according to Bloomberg news

service. FAO's Rice Market Monitor, published in July, forecast a 6 percent contraction in India's rice production in 2012, with a harvest of 147.7 million tonnes, a drop of 8.8 million tonnes from the 156.5 million tonnes harvested in 2011. The Rice Market Monitor predicted India will export 6.5 million tonnes in 2012.

### **Pakistan rice exports benefit from rising Indian prices**

Pakistan expects its rice exports will increase because of better domestic supplies and rising prices for rice from India on world markets, the head of the Pakistan Rice Exporters Association said. Pakistan is the world's fourth-largest exporter of rice, and the association said it expects the country will ship about 4 million tonnes of rice in the year that began July 1, a significant increase over the 3.7 million tonnes shipped in the previous year.

"The new harvest will bring down prices which are way too high at the moment, making us less competitive in the global market," said Safder Mehkri, vice president of the association. "Our rice is 10-15 percent costlier than India's. Better domestic prices will improve our competitiveness against India." He added that Pakistan's rice export totals were hurt by international economic sanctions on Iran, a major buyer. He predicted this year's rice harvest would surpass 6 million tonnes.

Non-basmati rice from Pakistan sold for about US\$451 a tonne free-on-board in July and August, while it was US\$385 a tonne from India on the Chicago Board of Trade. The FAO Rice Price Update for October listed Pakistan 25 percent broken rice at US\$399 a tonne compared to US\$405 a tonne for 25 percent broken rice from India.

### **New uncertainty on Russian grain exports**

Barely a month after Russian President Vladimir Putin allayed fears of a possible ban on grain exports because of widespread drought, Economy Minister Andrei Belousov reignited concerns by telling reporters that grain shipments could be curbed if domestic prices kept rising. "We are simply obliged to protect the domestic market, and we can have no illusions about that," he said. "We

won't allow any surges in grain or food prices."

Widespread drought prompted Russia to impose an export ban on grains, particularly wheat, in 2010, and with a severe drought rolling across the Russian landscape this year some analysts and market players have said they expect the country will once again restrict exports. However, at the Asia Pacific Economic Cooperation (APEC) summit in Vladivostok in early September, President Putin reassured importing countries when he said that Russia understood the role its wheat plays in global food security and would act accordingly.

Putin's position was reiterated by Deputy Prime Minister Arkady Dvorkovich who said that there were no plans for an export ban after hearing of Belousov's remarks, which sparked a brief surge in grain prices. Dvorkovich said Russia would sell grain from its stocks, if necessary, to support domestic prices. He added that a grain ban would not be "expedient" and would result in spiking global food prices. Global grain prices rose by about 23 percent in July on tighter supplies of wheat from Russia and maize from the United States, both of which have been suffering from unusually hot weather this year. This year's drought prompted 20 of Russia's 83 regions to declare a state of emergency and has caused US\$630 million of damage, the Agriculture Ministry said last month.

Meanwhile, SovEcon, a respected think tank, said that Russia's grain harvest could fall by as much as 26 percent to less than 70 million tonnes this year because of lower yields caused by drought. The wheat crop could total 38 million tonnes, a significant drop from the 56.2 million tonnes harvested last year. Yields have dropped to 1.85 tonnes per hectare from 2.31 tonnes per hectare. Russian officials have said that wheat exports could decline to about 10 million tonnes, a drastic drop from the 21.6 million tonnes exported during the last marketing year.

### **Viet Nam enjoying strong year for rice and coffee**

Strong harvests have placed Viet Nam at the top of the global rankings for coffee exports and are making the country



a contender for the world's leading rice exporter this year, according to government statistics.

Through the first nine months of 2012, Viet Nam exported 6.4 million tonnes of rice, an increase of 7.1 percent over the same period the previous year. The government is forecasting that rice exports will total 7.1 million tonnes for the entire year, the same record figure as 2011. Despite the strong export showing, the value of rice exports declined through the first three quarters by 3.2 percent to US\$2.87 billion.

This year, China became the biggest buyer of rice from Viet Nam. Southeast Asian countries are also a major market for Viet Nam's rice with the Philippines, Malaysia, Singapore, Timor-Leste and Brunei importing over 1.93 million tonnes. China, Hong Kong SAR (Special Administrative Region of China) and Taiwan PoC (Province of China) also imported over 1.9 million tonnes. In new markets, African countries are emerging as growing buyers of rice from Viet Nam.

Meanwhile, a bumper coffee harvest of 1.6 million tonnes – a new record – worth over US\$3 billion is helping Viet Nam retain its title as the world's second-largest coffee exporter after Brazil. According to the Ministry of Agriculture and Rural Development, the country exported 1.36 million tonnes of coffee, worth US\$2.85 billion during the first nine months of the year, an increase of 36.8 percent in volume and 29.8 percent in value year-on-year. That surpassed last year's total figures of 1.2 million tonnes and US\$2.7 billion, respectively. Most Viet Nameese prefer tea over coffee, and so most coffee is exported.

## Myanmar reduces rice export forecast

Poor weather and strong global supplies have led to Myanmar downgrading its forecast for total rice exports both this year and next, according to officials from the Myanmar Rice Exporters Association. The latest estimate is for exports to amount to about 700 000 tonnes, according to the association, about 78 000 tonnes less than last year. The figure matches the forecast by FAO in its July Rice Market Monitor. The Association says Myanmar had already shipped 500 000 tonnes of rice during the first nine months of the year.

The new figures also represent a steep adjustment downwards for the association's own targets of exporting 1.5 million tonnes of rice this year and 2 million tonnes next year. The association said it still hopes to export 1 million tonnes in the 2013-2014 growing year.

## Thai government vows to continue rice programme

Having beaten back a court challenge, Thailand's Prime Minister Yingluck Shinawatra has vowed to continue her government's rice support programme, saying it is necessary to raise the living standards of the country's farmers.

Under the programme, the government pays farmers roughly US\$500 a tonne for regular paddy, and about US\$667 for jasmine fragrant paddy. Both prices are well above market prices, and exports of Thai rice have dropped markedly since the programme was introduced in late 2011. The Thai Rice Exporters Association

(TREA) reported that through the first eight months of 2012, the country exported 4.47 million tonnes, a 45 per cent drop in volume compared to the same period the previous year. The total value of the rice exports fell just 33 percent, however, because prices for Thai rice rose by 18 percent. Nigeria remained the top buyer, ordering 865 543 tonnes from January through August, followed by Iraq at 447 579 tonnes and Indonesia at 303 640 tonnes. South Africa also imported 239 423 tonnes and the United States 227 084 tonnes.

In early October, Thailand's Constitutional Court rejected a case filed by academics from the National Institute for Development Administration in which they claimed the programme violated the charter. But the court ruled that the matter was outside its jurisdiction. Other think tanks and economists have criticized the programme on the grounds it is losing money and is unsustainable.

The prime minister responded that the programme will continue for at least two more years because it would help farmers pay off their debts and improve their living standards. She asked the academics and political opponents to show sympathy for the farmers' plight and said she is ready to defend the programme in parliament and in court, if need be.

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