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## China's wheat imports hit seven-year high

Despite its position as the world's largest wheat producer, China's imports of wheat hit a seven-year high for the first nine months of 2012, reaching 3.21 million tonnes, according to official statistics, reported the Daily Times newspaper.

China imported just 1.25 million tonnes of wheat in 2011, but a poor harvest and greater stockpiling earlier this year have led to a surge in imports. From late last year until early this year, China's main wheat-growing region was hit by a severe drought. "Mills have stepped up imports given tightening global supplies while the domestic harvest has also been damaged. High-quality Canadian wheat is favoured by mills for blending," an industry analyst told the paper.

Nonetheless, analysts also predicted that China's imports would slow for the remainder of the year because they expect wheat prices could rise as the result of droughts in Europe and Central Asia.

## Global food prices fall 1 percent; levels still high

Reduced demand for grains led to a 1 per cent drop in global food prices during

October, according to the last FAO Global Food Price Index. The Index sustained a 2 point drop to an average of 213 points for the month. Although both wheat and maize production have suffered so far this year because of droughts in the **United States** and the **Russian Federation**, trading activity in wheat was slower during October, and less demand for maize from the industrial and livestock sectors had prices trending slightly downward. International rice prices were generally stable.

Although the FAO Cereals Price Index fell by 1.2 percent in October, it was still 12 percent higher than in October 2011, as prices for coarse grains rose, but rice prices were 4 percent lower than one year ago. Of the food categories monitored by FAO, prices for dairy products rose most sharply in October, up 3 percent, as all five categories of dairy products saw price increases. Sugar prices also increased by 1.6 percent on what FAO termed "short-term tightness" in supplies from **Brazil**, the world's largest sugar producer. Average meat prices were unchanged in October.

Despite the increases in dairy and sugar prices, a sharp drop in prices for oils and fats contributed to the slight overall decline in average food prices. The FAO Oils and Fats

Figure 1: Selected international cereal prices



Price Index fell by 8 percent in October on plentiful supplies of palm oil from Southeast Asia. Higher than expected export availabilities of soy, rape and sunflower seed oil, and a general slowdown in global consumption growth also contributed to cooling the market, the FAO said.

### Domestic prices show little movement

Prices for key grains were stable around the Asia-Pacific region during October with the only exceptions being an 11 percent rise in the price of glutinous rice in **Lao PDR** and an 8.26 percent rise in the price of wheat flour in **Afghanistan**. The price of low quality rice and wheat in Afghanistan also edged up by 2.6 and 2.4 percent respectively.

A bumper wheat crop in **India** had prices for that grain falling by slightly more than 4 percent, but good harvests in neighbouring **Pakistan** could not prevent a small increase in wheat prices of 0.7 percent. India's rice prices rose by 3.2 percent. Otherwise, domestic rice prices around the region eased slightly, falling by 2.2 percent in Lao PDR for ordinary rice, by 1.8 percent in **Myanmar**, by 9 percent in

the **Philippines**, by 1.4 percent in **Sri Lanka** and 1.3 percent in **Thailand**. **Viet Nam** saw rice prices fall by 6.2 percent.

The only other notable price movements were a 9 percent drop in the price of maize in **Thailand**, and a less significant fall of 2.2 percent for white maize in the **Philippines**.

### FAO says cereal supplies will tighten through 2013

Despite a slight drop in average global cereal prices during the month of October, FAO is forecasting that world cereal production will fall 2.7 percent to 2.28 billion tonnes in the 2012/13 growing season. To date, the drop in cereal production has not been uniform, as wheat and maize output fell, but rice production increased.

Declines in wheat production have been largely the result of drought in **Europe** and **Central Asia**, chiefly in the **Russian Federation**, while falling maize output was caused by drought in the United States. Wheat production is projected to drop by 5.5 percent to 661 million tonnes, while coarse grains should fall by 2.5 percent

to 1.137 billion tonnes. Rice output, on the other hand, is forecast to rise by 0.7 percent to 486 million tonnes.

The declines in production are expected to produce a 6.9 percent reduction in the world cereals trade in 2012/13. Although utilization is projected to decline slightly, it is still anticipated to exceed production. Wheat utilization is forecast to fall by 1.4 percent, mostly on lower feed use, maize utilization may drop 1 percent as less is used for ethanol production, but rice utilization is expected to rise by 1.5 percent, which could keep average cereal prices relatively stable.

### Mixed signals from Ukraine on wheat export ban

Members of the Government of Ukraine have made conflicting statements about banning wheat exports because of drought, but traders and analysts said they are expecting the country to impose some limitations on shipments. Ukraine is one of the world's top-ten wheat exporters, but about a third of its harvest this year has been lost to bad weather.

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

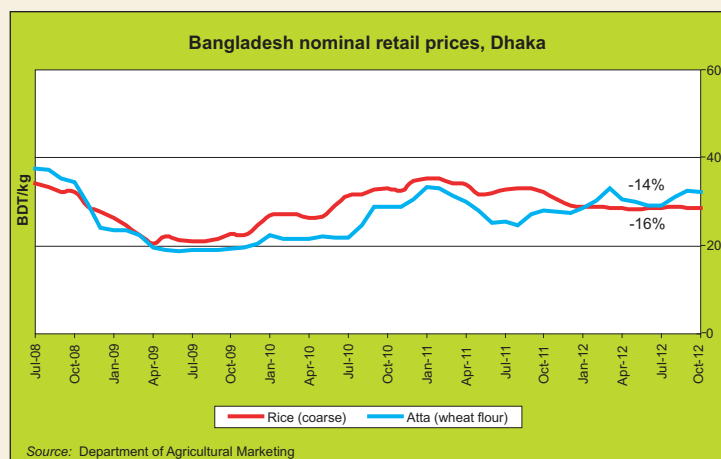
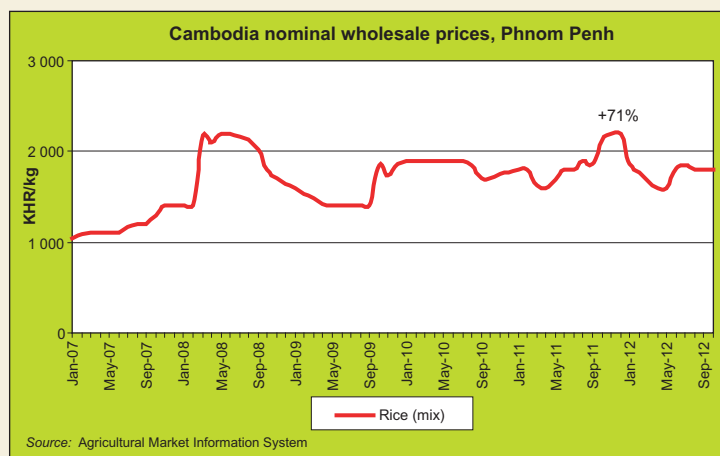
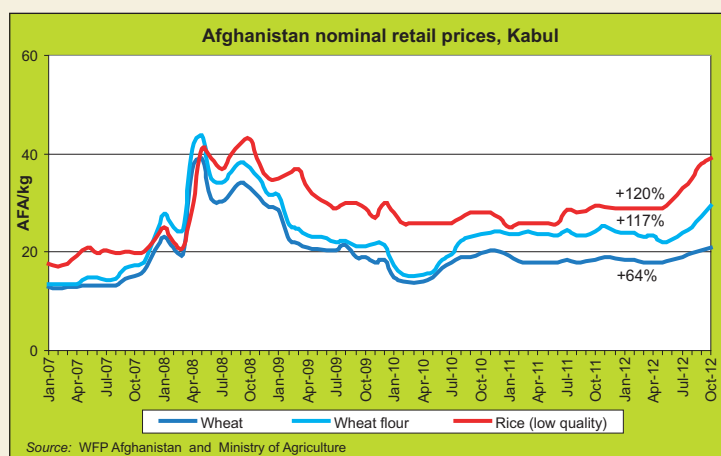
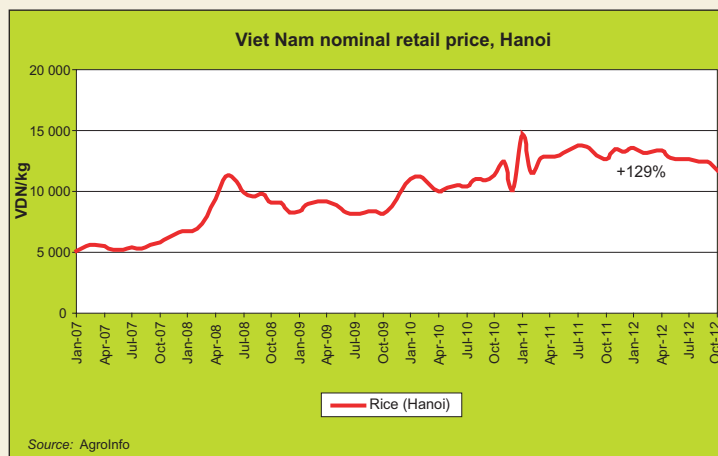
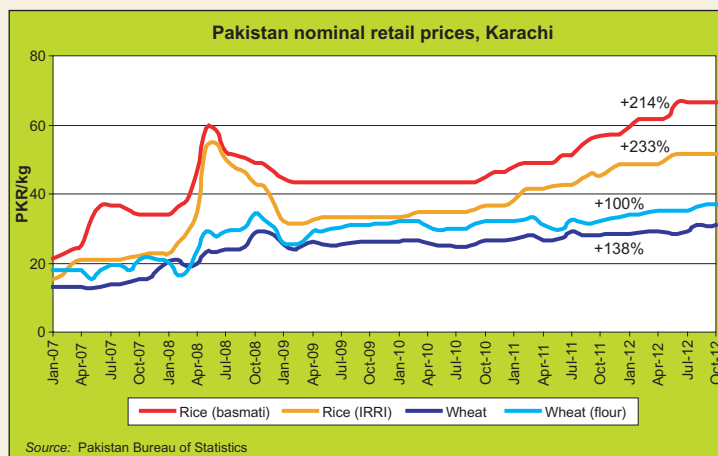
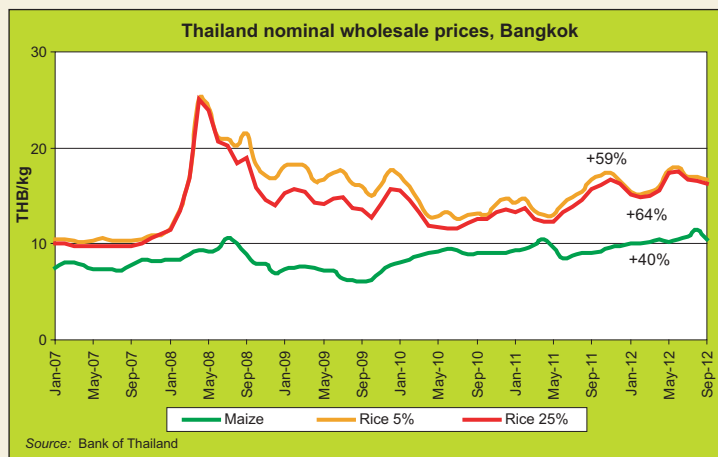
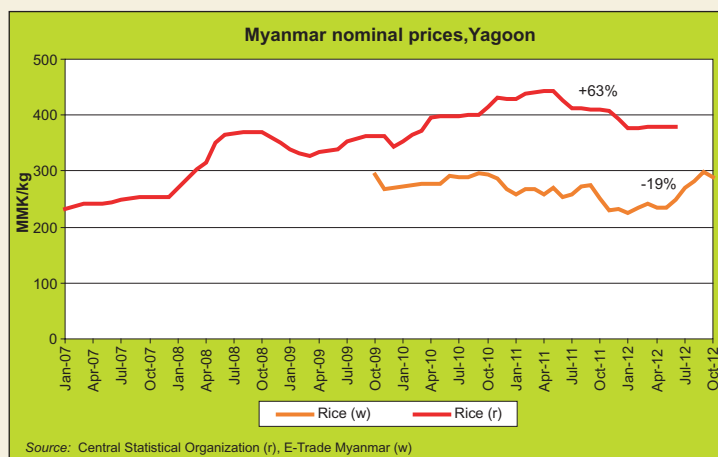
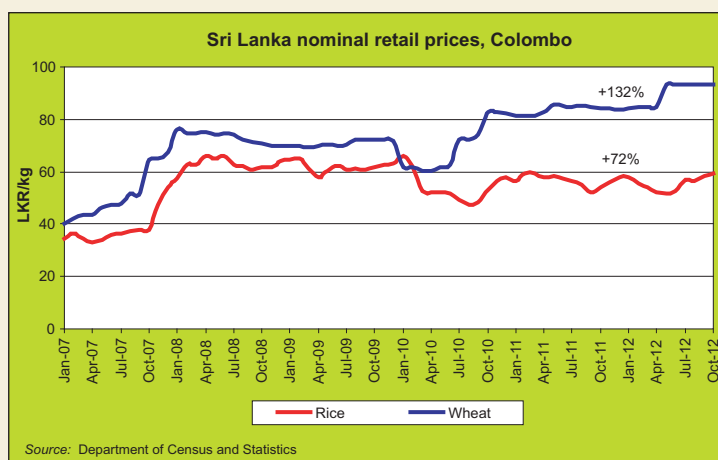
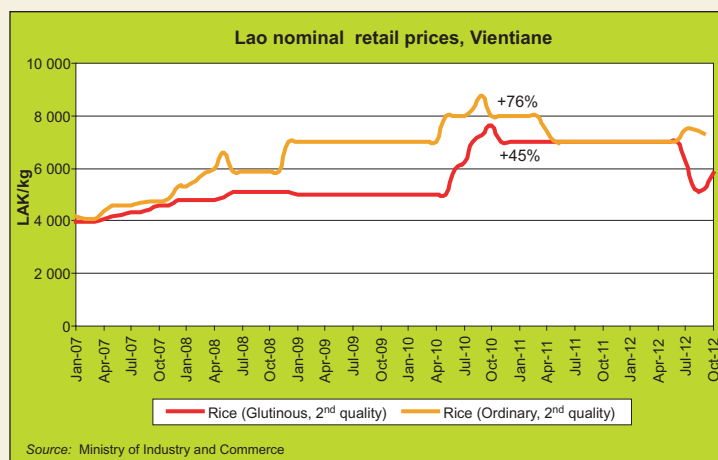
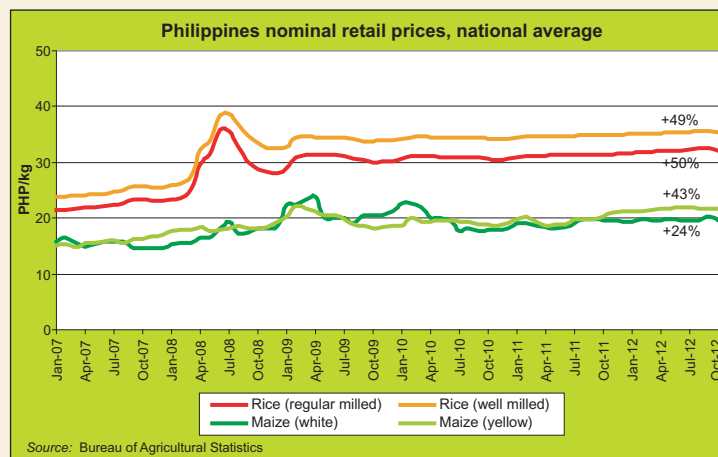
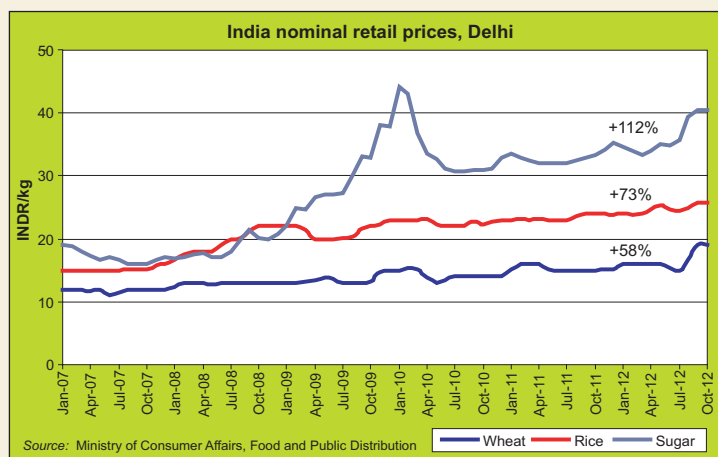


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



That prompted Ukraine's Agriculture Minister to announce in late October that the country would impose an export ban from 15 November 2012 onwards. But a week later his deputy said that other measures would be considered to deal with the poor harvest and that the grains situation was not yet critical. Analysts said they were waiting for the Prime Minister to make a decision.

Ukraine has exported 4.06 million tonnes of wheat so far this year, according to the government's statistics, and is expected to ship 5.5 million tonnes by year end. The Agriculture Ministry has said that it will allow exporters to fulfill existing contracts, which it said totals 5.4 million tonnes.

### **Indian wheat exporters expect to benefit from Ukraine ban**

The announcement by drought-stricken Ukraine of a possible ban on wheat exports has Indian wheat exporters expecting to gain through increased overseas shipments. "There is no reason why India should not benefit considering that we have huge stocks," Atul Chaturvedi, Chief Executive Officer of agribusiness at Indian firm Adani Group, told *The Hindu* newspaper. India has already exported more than 3 million tonnes of wheat this year, the paper said. Most Indian wheat exports are shipped to the Republic of Korea, Taiwan Province of China, Yemen and neighbouring Bangladesh and Sri Lanka among others.

India, suffering its own droughts, only lifted its export ban on grains in September of last year. Since then, it has entered the top ranks of rice exporting countries and produced an all-time high of 93.9 tonnes of wheat in its 2011/12 growing season. By October, government stocks had reached 43 million metric tonnes, more than three times the reserve requirement of 14 million tonnes to serve as a buffer against disasters.

While exporters were optimistic, analysts were more sceptical, noting that many wheat-importing countries had already covered their positions until the end of the year. Upside gains for Indian exporters would depend upon how long Ukraine keeps its ban in place. Furthermore, they said the market had already factored in the Ukraine ban, and so while Indian shipments might hold some promise for increasing in volume, prices will remain steady.

### **Experts doubtful about new Bangladesh rice strains**

Bangladesh is preparing to release five new varieties of rice that are designed to better withstand drought and salt-intrusion, but some experts say their yields won't be high enough to meet the country's food security needs as climate change becomes more severe in coming decades.

Low-lying Bangladesh is particularly vulnerable to rising sea levels. Although classified by FAO as a Low-Income Food-Deficit Country (LIFDC), Bangladesh is self-sufficient in rice production, but may not be in the future because salt water intrusion poses a major threat to its rice-producing delta. Climate scientist Ahsan Uddin Ahmed, executive director of the Centre for Global Change, told AlertNet that the country needs to adopt a long-term food security plan soon or it will not be prepared for change.

The Bangladesh Rice Research institute has released 61 high-yielding modern varieties of rice since 1970, and 80 percent of the country's rice-growing land is currently cultivated with the varieties it has developed. The new drought- and salt-resistant varieties had yields of 6.5 to 9 tonnes per hectare, compared with 4 to 7.5 tonnes per hectare from other varieties.

Nonetheless, one challenge will be to convince Bangladeshi farmers to use the new varieties, as experts say they are less interested in growing hybrid strains because producing and collecting their seeds is more complicated.

### **US may challenge Thai rice programme at WTO**

Rice growers in the United States are pressuring their government to file a complaint with the World Trade Organization (WTO) over Thailand's rice pledging programme, claiming it is an illegal subsidy. The USA Rice Federation alleges that the Thai government, having purchased large stocks of rice from farmers at above market prices, will have little choice but to release those stocks on to international markets at a loss, depressing rice prices. Reuters news agency reported that the US Trade Representative will soon file a complaint with the WTO.

Since late 2011, Thailand has implemented a programme in which the government pays farmers prices for paddy that are roughly 40 percent above market prices.

The government has defended the programme on the grounds that it raises incomes for farmers, thereby reducing social inequalities and disparities in wealth.

The programme has, however, taken a toll on Thailand's rice exports. Through the end of October, Thailand had exported 5.5 million tonnes of rice, behind India at 5.6 million tonnes and Viet Nam at 5.9 million tonnes, according to Thailand's Foreign Trade Department. The figure is a 47 percent drop in volume year on year, but the Department said those exports earned US\$3.6 billion, 18 percent more than last year, and more than Viet Nam or India, because the price of Thai rice is higher. Thailand was the world's leading rice exporter before implementing the programme.

The Ministry of Commerce has said it has concluded several government-to-government rice sales, and has said it will not sell rice below market prices, but also has not released details on prices or volumes of the deals. US rice growers say Thailand will be forced to sell millions of tonnes of rice at a loss, dragging down world rice prices, so that it can clear its warehouses to make room for the next harvest.

### **Myanmar aiming to double rice exports in five years**

Myanmar hopes to return to the ranks of the world's major rice exporters within five years, aiming to export 3 million tonnes a year by 2017, the secretary general of the Myanmar Rice Federation told Bloomberg financial news agency.

"We are looking to boost productivity as well as income for farmers," Ye Min Aung, the secretary general, said, adding that the goal is to increase yields to one tonne per hectare from less than half a tonne now. The Myanmar Rice Federation accounts for about 80 percent of the country's rice output.

From 1960 to 1963, Myanmar, then known as Burma, was the world's leading rice exporter. But the imposition of some policies had a negative effect upon production and exports, and it was overtaken in both by Thailand. Production and exports continued to fall, reaching a low point in 1997 of just 15 000 tonnes. Myanmar exported 770 000 tonnes of rice in 2011, placing it ninth in rice exports behind Uruguay.



Robert Ziegler, secretary general of the International Rice Research Institute, said that Myanmar could become one of the world's leading rice exporters in 10 to 15 years, faster than it took Viet Nam to reach the upper echelon of exporters. "We see Myanmar as an extremely important source for rice production – there is no question about it," he said. Myanmar's advantages include abundant water and land resources, and a large pool of labour.

According to the Asian Development Bank and FAO, agriculture provided 36 percent of gross domestic product last year, and employs the vast majority of the country's 64 million people. Investment that could spur growth in the sector has been hampered, however, by lack of legal frameworks and physical infrastructure. Myanmar, which is undergoing a process of democratic and market reforms, is beginning to address these matters. In early November, President Thein Sein signed a foreign investment law that should improve the country's ability to attract capital from overseas.

In addition, the World Bank announced that it has earmarked US\$245 million for Myanmar, including US\$80 million for rural development projects, in the form of grants and credit lines to support budget, regulatory and private sector reforms. The funding will be for a period of 18 months, and a further US\$165 million will be made available once Myanmar clears its debts to the Bank. The International Monetary Fund also said it would soon send a team to Myanmar to help the country restructure its debt.

### **Drought hurting farmers in Sri Lanka and Thailand**

Droughts are hitting farmers hard in some parts of northern Sri Lanka and northeastern

Thailand, a little more than a year after parts of Southeast and South Asia suffered massive floods.

As much as 60 percent of the rice crops in some districts in northern Sri Lanka are threatened with destruction because of dry weather, officials from the Ministry of Economic Development told IRIN news agency. Of 10 000 hectares of cultivated paddy fields in Manar district, between 5 000 and 6 000 have been lost. Some districts have not reported any significant rain fall for between eight months and one year.

Nationally, the impact has been less severe, with 43 000 out of 390 000 hectares of paddy destroyed. A September report by the Office of Coordination of Humanitarian Affairs said that it feared a "23 percent production loss due to drought, from the expected production of 1.57 million metric tonnes," citing estimates from the Agriculture Department.

But the effects in northern Sri Lanka are particularly worrisome on social and security levels, because many of the region's farmers were just getting back on their feet after decades of civil war. "The war devastated the infrastructure and the drought has killed off the one thing that was getting an income – agriculture," a government official said.

Meanwhile, several provinces in north and northeastern Thailand, which suffered its worst flooding in half a century in 2011, are now suffering their worst drought in half a century in 2012, according to the official Thai News Agency. Forty-six districts in seven provinces have been declared disaster zones. The provinces are Kalasin, Sakon Nakhon, Udon Thani, Bung Kan, Nong Khai, Nong Bua Lamphu and Mukdahan.

Natural Resources and Environment Minister Preecha Rengsomboonsak has begun urging farmers to dig artesian wells, saying that distributing water to people is an outdated way to deal with the problem. He said there are 100 billion cubic meters of water underground in the seven provinces, more than the 77 billion cubic meters in all the country's dams. Officials have begun releasing water from some dams to try to ease the shortage.

### **Indonesia will buy rice from Viet Nam, Cambodia and India**

Indonesia's state procurement agency Bulog will purchase 300 000 tonnes of rice from Viet Nam, 100 000 tonnes of rice from Cambodia, and another 100 000 tonnes from India, the Jakarta Post reported. All the purchases will be made by December.

Indonesia will use the rice to replenish its buffer stocks. The country is expected to produce 39 million tonnes of rice this year, according to calculations from its Central Statistics Agency. Bulog maintains stocks of between 1.5 million and 2 million tonnes as a safeguard against disasters. The agency had earlier said that it expected to import 500 000 to 770 000 tonnes of rice this year. The country was self-sufficient in rice until 2010 when stocks fell short because of a weak harvest. The country is aiming to become self-sufficient in rice again.

Indonesia usually buys a significant amount of rice from Thailand, but switched to India this year because that country is offering lower prices. The rice that Indonesia is buying from Cambodia will actually remain stored in Cambodia until and unless Indonesia needs it. Bulog is setting up a representative office in Cambodia to, among other things, oversee rice purchases and eventual shipments.

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