



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

DECEMBER 2012

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Typhoon Bopha hits Philippines banana harvest hard

About one quarter of the banana crop in the Philippines, a major food export for that country, has been destroyed by Typhoon Bopha, according to early damage assessments. Furthermore, banana growers fear the storm may have served to spread “Panama Disease,” which has been described by some researchers as “one of the most destructive plant diseases in modern times.”

Although there have been no reports yet of large losses to staple grain crops such as rice and maize, sugar growers are expecting a drop of at least 8 to 10 percent. The Sugar Regulatory Administration said that 30 000 tonnes of sugar had been destroyed by Bopha in the Bukidnon mill district alone, and it was expecting losses to mount as a survey is conducted.

Typhoon Bopha, which first struck the Philippines on 4 December, had killed 906 people and affected 5.5 million, according to the latest report by the United Nations Office for the Coordination of Humanitarian Affairs, released on December 14. The agency estimated US\$ 236 million in damages to agriculture, with subsistence farmers suffering the most. Crops such as

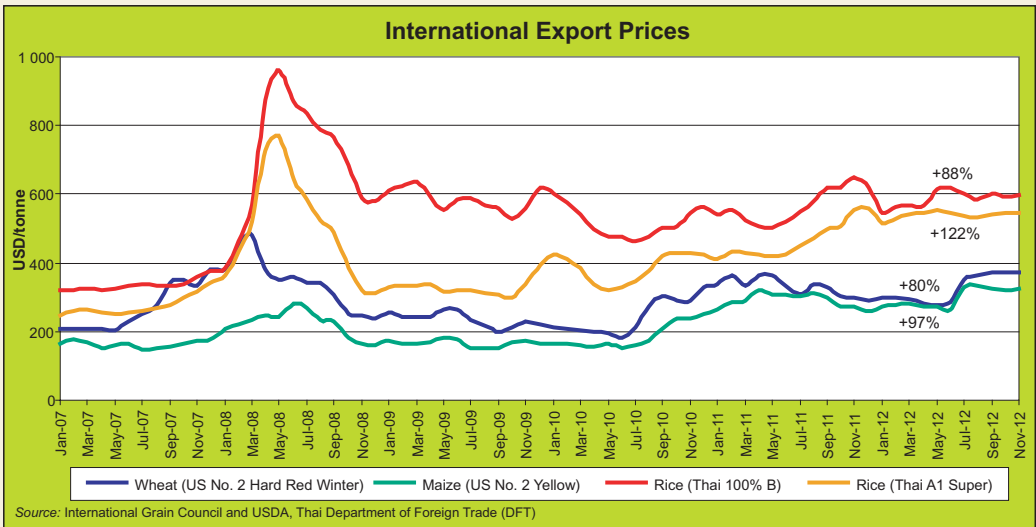
coconuts, vegetables, coffee, rubber, cacao, and banana were washed away. Damaged rice and maize crops accounted for 7 percent of the total, while damage to fisheries registered just 0.3 percent. The UN cluster has established stockpiles of food and seeds if needed and is ready to provide technical assistance.

The Philippine Banana Growers and Exporters Association said first reports showed the storm destroyed 10 000 hectares of the country’s 42 000 hectares of banana farms. About 150 000 people depend on the banana industry in Compostela Valley alone. The Davao Oriental and Compostela Valleys are the centres of the industry, and were both hit by flash floods and landslides. Rehabilitation would take several months, the Association said.

Global food prices fall slightly in November

Global food prices fell by 1.5 percent in November as prices for all major food categories eased except for dairy products. The FAO Global Food Price Index fell by 3 points, averaging 211 for the month, the lowest level since June 2012, and 3 percent below the level in November of last year. Cereals prices fell in line with the index

Figure 1: Selected international cereal prices



by 1.5 percent although they were still 12 percent higher than at the same time in 2011. Abundant rice supplies saw prices for that grain falling, as did prices for wheat after fears of an export ban by **Ukraine** dissipated.

Sugar saw the biggest drop in prices at 4.8 percent lower than in October and nearly 20 percent lower than in November 2011. Anticipated large supplies for export from **Brazil**, the world's largest producer, prompted the decline in prices. Oils and Fats also fell by 2.9 percent with palm oil supplies still abundant and good soybean supplies from the **United States** influencing the market. Meat prices fell by a marginal 0.7 percent, mainly on cheaper pig meat. Despite higher prices for feed, meat was an average of 3.5 percent cheaper than at the same time in 2011. FAO said this illustrates that producers are seeing their profit margins squeezed.

Dairy was the only commodity category to rise, edging up by just 0.5 percent on firm demand and a degree of uncertainty about supplies. Output

growth in southern hemisphere countries, however, kept prices largely stable.

Afghan domestic wheat flour prices rising

Despite a bumper wheat harvest, domestic prices for wheat flour in **Afghanistan** jumped 13.5 percent in November, a continuation of their upward trend since June, reflecting a lack of milling capacity in the country and a continuous depreciation of the local currency. Wheat flour also rose by 3 percent in **Bangladesh** and 2.5 percent in **Pakistan**, which also saw its wheat prices rise by 3.2 percent. **Sri Lanka's** domestic wheat prices rose by 5.4 percent.

Rice prices were stable in many countries, but **Lao PDR** and **Viet Nam** registered sharp rises, while **Afghanistan**, **India**, **Myanmar** and **Thailand** saw moderate rises. Glutinous rice rose by 20.7 percent in Laos – a return to levels seen in early months of 2012 – even as ordinary rice prices fell by 4.5 percent. Myanmar's rice prices rose 6 percent,

nearly matched by Afghanistan where they rose 5.9 percent. India's domestic rice prices rose by 4.3 percent, and Thailand's rice prices rose by 3.2 percent.

Asia cereals harvest at record level in 2012

The aggregate cereals harvest for Asia in 2012 will hit a record level of 1.196 billion tonnes, 2 percent over the totals in 2011, FAO said in its latest Crop Prospects and Food Situation report released in December. Maize production led the increases at 10.1 million tonnes more than last year, followed by wheat, which increased by 7.6 million tonnes and rice, which registered a 5.3 million tonne increase.

The report said that, "significant gains in national total cereal production are anticipated in **Bangladesh**, **China**, **Indonesia**, **the Philippines**, **Thailand** and **Viet Nam**. On the other hand, the most affected countries by adverse weather are **India**, **Nepal**, and **the Republic of Korea**, with an estimated decrease in 2012 cereal production of 1.3, 2.3 and

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

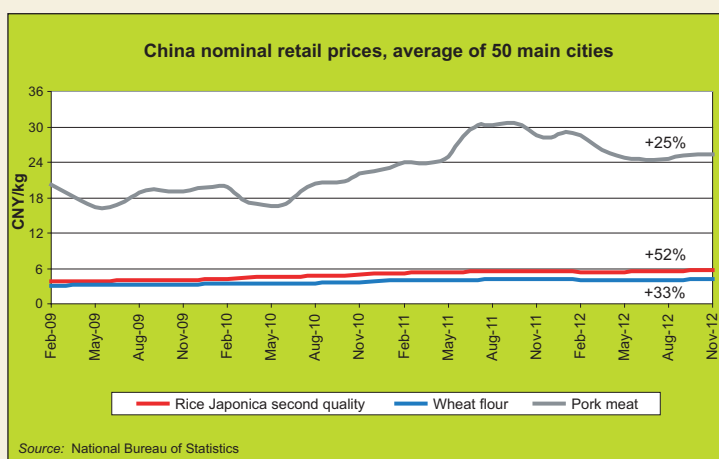
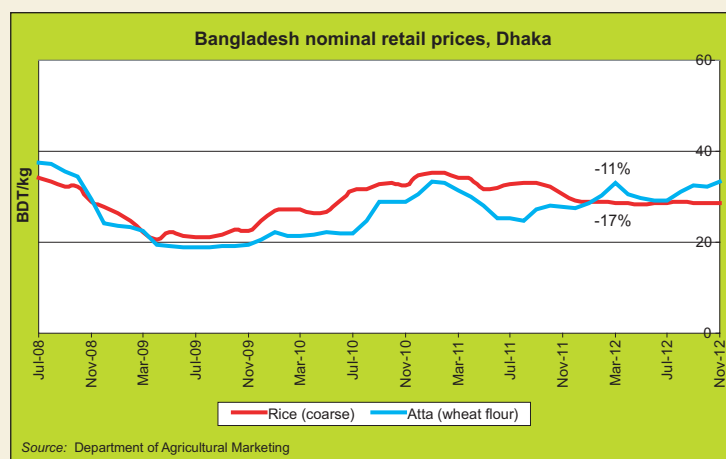
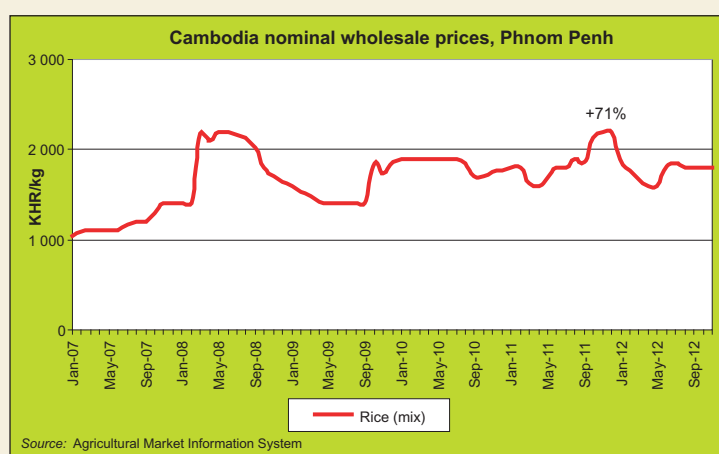
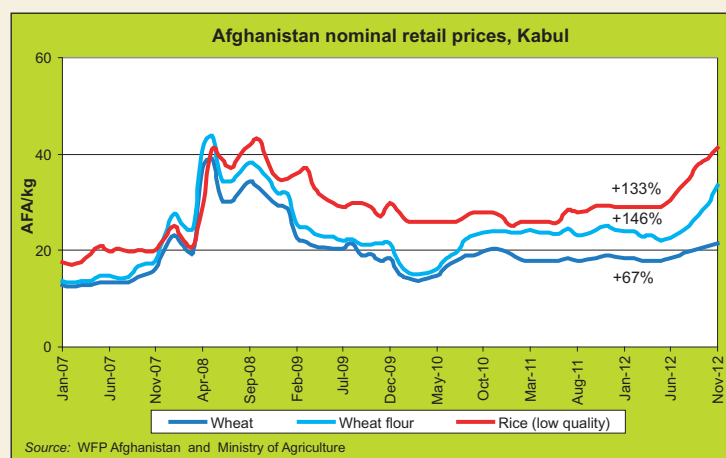
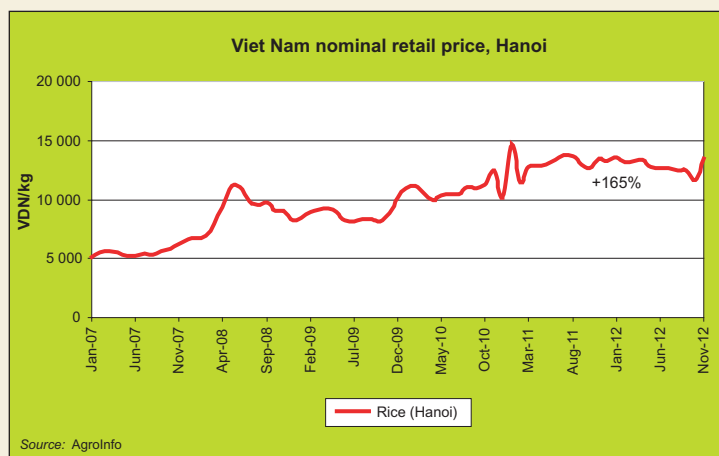
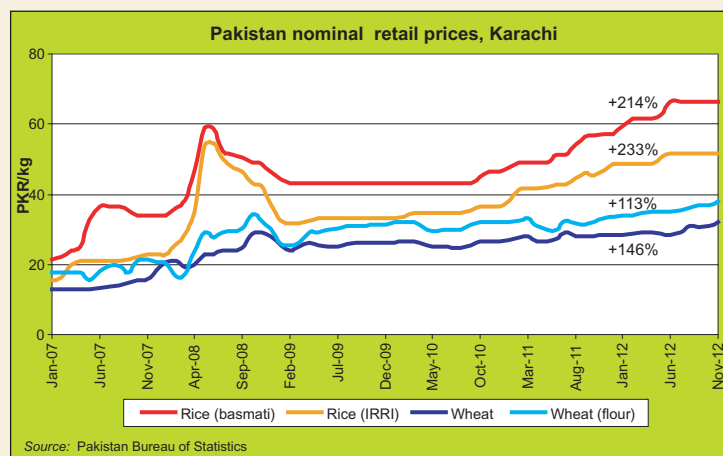
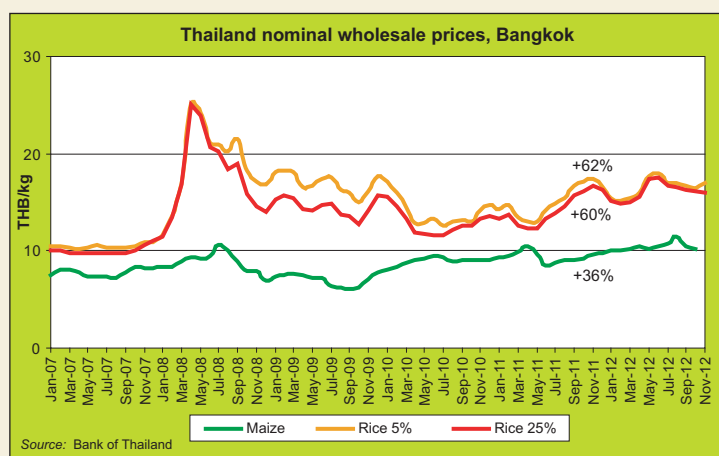
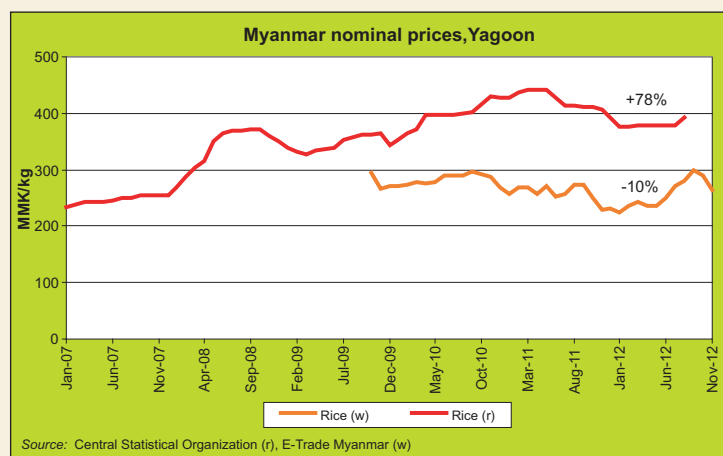
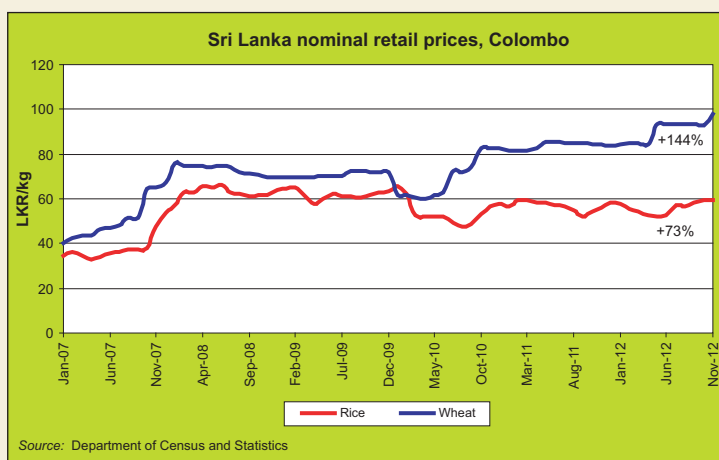
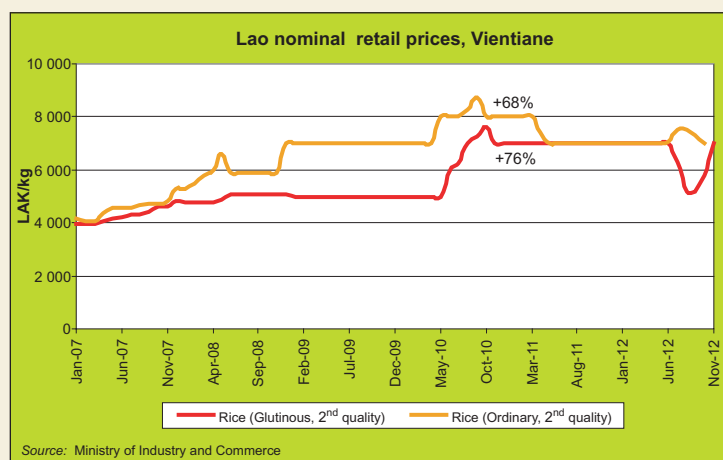
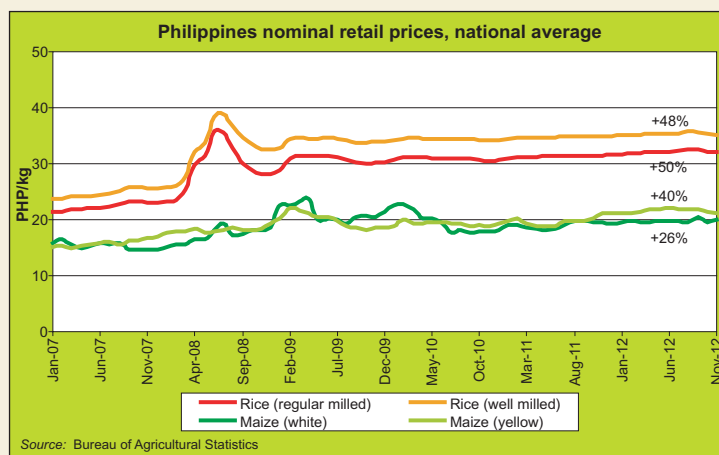
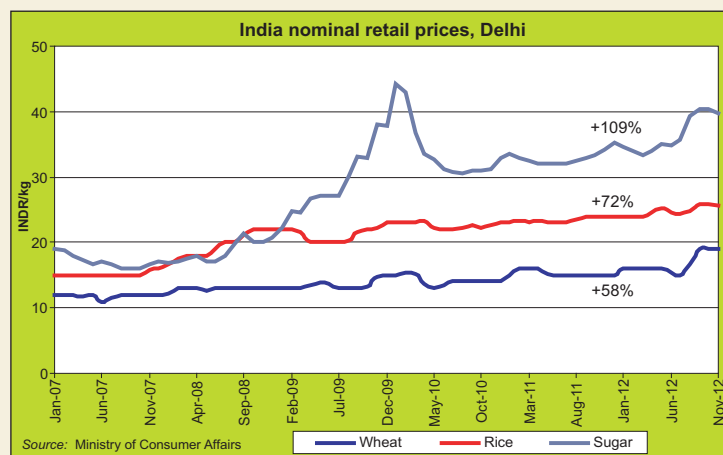


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



3.3 percent, respectively. The remaining countries, namely **Cambodia, Japan and Myanmar** are expecting a total cereal output more or less similar to that of the year before."

The largest increases in rice production, the staple grain of the region, took place in China, despite localized droughts and pest infestations, reflecting strong support to the cereals sector. India's rice harvest is expected to decline because of a weak monsoon season, while typhoons that struck the Republic of Korea should result in a poor harvest in that country.

Wheat production set a record in 2012 with India showing a strong output, although **Pakistan's** wheat harvest came in slightly lower than last year. In total, the region produced 240.4 million tonnes of wheat, 7.6 million tonnes more than last year.

Imports of cereals are expected to decline by about 10 percent on weak demand in the 2012/13 marketing year, although exports are forecast to rise by over 13 percent on greater production. Price trends were mixed, with export rice prices rising in China, Viet Nam and India, but remaining relatively stable in most countries. Wheat prices have also been rising in India and Pakistan, the region's two main exporters, but were stable in most importing countries.

Iran paying higher prices for commodities because of sanctions

The Islamic Republic of Iran is paying 5 to 10 percent higher than market prices for agricultural commodities because of economic sanctions, costing it millions of dollars and straining the country's finances, traders in Iran and abroad have told the Financial Times newspaper. The higher costs stem from complications in financing the transactions, higher insurance costs for shipping and finding vessels willing to deliver to Iran's ports.

Meanwhile, Pakistan's Business Recorder reported that after long negotiations Iran has agreed to import 1 million tonnes of wheat from Pakistan at US\$ 300 a tonne in a barter deal. Iran had earlier been unwilling to accept Pakistan's wheat, saying it had Karnal bunt and *Tilletia* diseases, but a recent inspection carried out by Iranian officials found the wheat acceptable. Pakistani officials said that the country will still have an exportable

surplus of half-a-million tonnes of wheat after the deal.

Earlier this year the United States and the European Union imposed harsher sanctions on Iran that have affected its banking and oil industries. Iran's oil production, its chief source of foreign exchange, has plummeted to a 32-year low, the Financial Times reported, while the value of its currency has fallen by 50 percent against the dollar. Iran's Chamber of Commerce, said "in some cases" Iranian buyers must pay higher than market prices for agricultural commodities because of sanctions.

Aside from sanctions, the U.S. Department of Agriculture (USDA) earlier this year warned that a disappointing wheat harvest was set to fuel higher import requirements. "Though current sanctions do not officially target food or agricultural commodities, restrictions imposed on Iranian banks and trading firms have impeded the country's ability to finance needed imports," the USDA said. Traders are calling the higher costs "The Iranian Premium."

Industry executives forecast that in the 2012-13 crop season to next October, Iran would buy roughly 12 million tonnes of agricultural goods, including wheat, rice, barley, corn and soybean. That is a higher-than-normal total for Iran, even with a poor wheat harvest, leading some to suggest that Iran may be stockpiling commodities over concerns yet another round of sanctions could be imposed on the country.

Viet Nam achieves record rice exports

Viet Nam's rice exports have already set a new record and may reach 7.7 million tonnes this year, according to the Viet Nam Food Association, which said orders had risen by 11 percent year-on-year just in the month of November. Through the first 11 months of the year, Viet Nam exported 7.44 million tonnes of rice, an increase of 9.7 percent over the same period the previous year, which is a new record, the Ministry of Agriculture reported. That figure was higher than the Food Association's own report of 7.1 million tonnes exported.

Purchases from China were the driving force behind the increased tonnage. China has emerged as the leading

buyer of rice from Viet Nam in order to supplement its own domestic output, which is in excess of 200 million tonnes.

Viet Nam is one of the three largest rice exporters in the world along with India and Thailand. The country's rice exports have grown substantially over the past two decades because of market reforms and economic development, and reforms in its agricultural sector.

The Association said that exports of high-quality rice accounted for nearly half the total at 3.3 million tonnes, an increase of 78 percent over last year. Nonetheless, prices for rice from Viet Nam have been falling because of thin demand. Traders in the Mekong Delta, the country's rice basket, said prices could drop even further as there were fewer contracts than expected at this point in time for next year's harvest, Reuters news agency reported. The winter-spring crop is Vietnam's largest and most of the grain is exported. The harvest usually peaks in March.

Indonesia and the Philippines likely to cut rice imports

Indonesia and the Philippines appear likely to cut their rice imports in 2013, contributing to the thin demand that has kept rice prices from rising along with other cereal and grain prices. According to the FAO's Rice Market Monitor, the All Rice Price Index in October was nine points lower than in the same month last year.

Mohammed Ismet, an FAO consultant in Jakarta, said Indonesia will likely cut imports from 1.7 million tonnes in 2011 to 1.5 million tonnes this year. "Abundant supplies and prospects for good production have resulted in high global stocks and lower prices," said Ismet, who worked at Bulog, Indonesia's state procurement agency before joining FAO.

Meanwhile, Rex Estoperez of the National Food Authority (NFA) in the Philippines, said his country may end rice imports altogether in the near future, with overseas purchases dropping sharply in 2013. "Competition is pushing prices lower," he said. The Philippines bought a record 2.45 million tonnes of rice in 2010. "NFA is not buying next year, and the government will decide the volume of private imports in the next few weeks."

Scientists unlock key sections of wheat genome

Scientists working in the U.S., United Kingdom and Germany have unlocked key sequences in the wheat genome that they believe will enable researchers to develop strains of the grain that will be better able to handle environmental stress, harsh conditions and disease. The development is especially significant in light of the widespread damage to wheat crops across the **Russian Federation** and parts of **Europe** and **Central Asia** in recent years caused by extreme weather. The findings were published in the science journal *Nature*, and reported by the BBC.

"In the face of this year's wheat crop losses, and worries over the impact on prices for consumers, this breakthrough in our understanding of the bread wheat genome could not have come at a better time," said Prof. Douglas Kell, chief executive of the U.K.'s Biotechnology and Biological Sciences Research Council, which funded the research. "This modern strategy is a key component to supporting food security and gives breeders the tools to produce more robust varieties with higher yields."

Prof. Neil Hall of Liverpool's Institute of Integrative Biology told BBC News that the research tool would also "help identify disease resistance and better grain quality. We know that there are wild varieties that are particularly good when it comes to drought resistance or flood resistance, but they have very

low productivity." He added that new, more resilient varieties could be in the marketplace in as soon as five years.

Favourable weather helping Afghan wheat crop

Favourable weather in Afghanistan has produced a wheat harvest of 5 million tonnes, the second-highest total in 35 years and just below the 5.1 million tonne record set in 2009, according to a country assessment for FAO's Global Information and Early Warning System (GIEWS). The crop is 54 percent higher than last year's drought-affected crop and 25 percent above the average for the previous five years because of timely rains coupled with a larger planted area. Accordingly, cereal imports (mainly wheat) in the current marketing year 2012/13 are forecast to be 44 percent lower than last year, and 36 percent less than the five-year average.

However, wheat and flour prices have been increasing since June because of limited milling capacity in the country, costing 14 and 20 percent more respectively in October compared to the same month last year. Another factor in prices and overall inflation are rising energy costs.

The bumper harvest has contributed to stable overall national food security, but severe food insecurity exists in localized areas, particularly in the northeast and mountainous areas. As of 2012, FAO classifies Afghanistan as a Low-Income Food-Deficit Country (LIFDC).

Russian wheat threatened by coldest winter in years

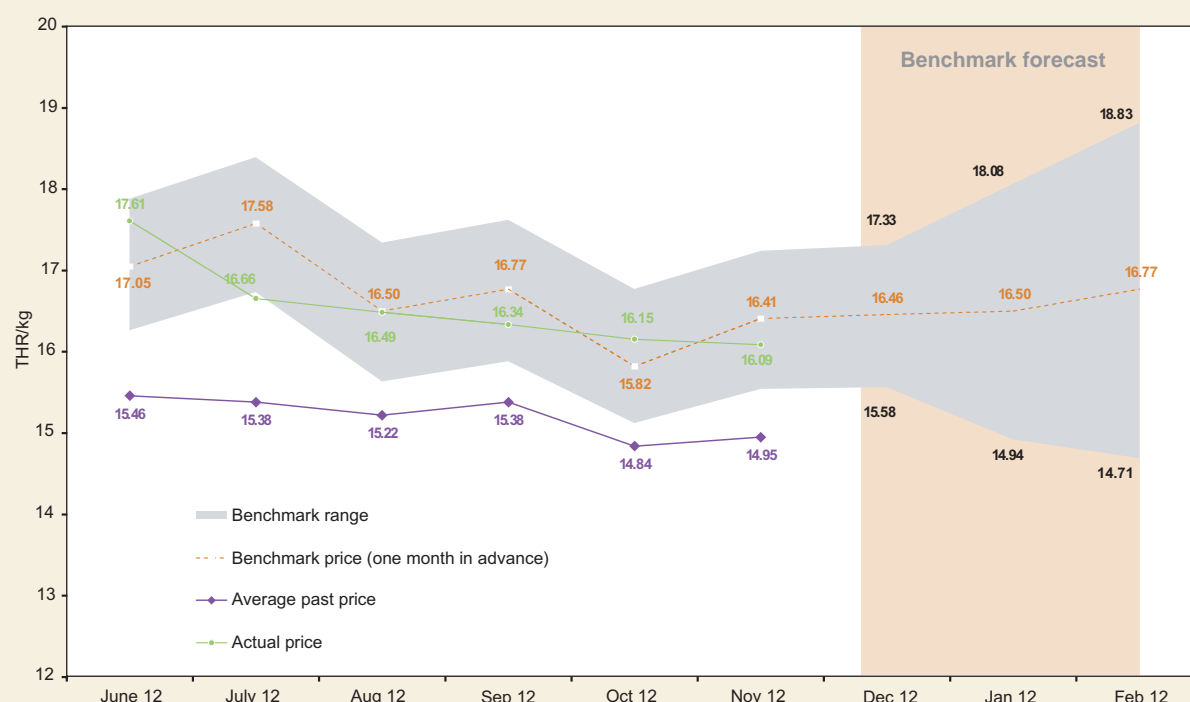
After a summer that saw drought damage much of its wheat crop, Russian wheat farmers are facing what is forecast to be the coldest winter in 20 years, threatening their latest round of plantings, Bloomberg news agency reported. "Russia will already have the lowest stockpiles in five years relative to demand when it starts harvesting in July and a damaged crop would further curb supplies available for shipping," the agency said.

Meanwhile, exports of Russian grains have fallen 17 percent so far this year, and the harvest was 24 percent lower than last year, according to its Ministry of Agriculture. Russia exported 11.4 million metric tonnes of grain compared with 13.7 million tons in the year-earlier period, the ministry said. Exports included 1.06 million tonnes of grains in the first 21 days of November. Shipments of wheat came to 670 000 tonnes.

Russia harvested 74.4 million metric tonnes of grains as of November 19, down 24 percent from a year earlier, the Federal State Statistics Service said. The wheat crop was 39.7 million tonnes, down from 59.4 million tonnes a year earlier, it said. Wheat yields dropped to 1.86 tons a hectare from 2.37 tons a hectare a year earlier.

In focus: Recent Price Movements for Thai Rice (rice 25%, Bangkok market)

Rice prices in Thailand during November were 2 percent below the benchmark price. The benchmark price for December is THB 16.46. If prices follow normal seasonal patterns during the next three months, wholesale nominal prices for 25% broken rice are likely to slightly move upwards (+2%) within a benchmark range of THB 14.71-18.83 per kilo.



Technical Note

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/>.

The graph shows that recent price movements are generally in line with those typically observed over the past 7 years: During the harvest (Oct- Dec 2012) of the main season paddy crop that accounts for 60 percent of the total paddy output, prices normally decline. From July to November, both average past prices (purple line) and actual prices (green line) declined by 3 percent. There are some rumours regarding the possible recent release of government-held stocks through different channels, but the graph above shows that any rice release has not been enough to push rice prices down significantly. From October to November, actual rice prices fell by less than half a percentage point (-0.37%).

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

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