



ASIA PACIFIC FOOD PRICE AND POLICY MONITOR

November 2013 - Issue 5

HIGHLIGHTS

- Food inflation in the region has ranged between 7.3 percent and 7.8 percent over the past five months.
- Indonesia has been grappling with double-digit food inflation for several months, with a 12.6 percent rise in food prices in October.
- In Afghanistan (Kabul), retail prices for low quality rice have risen significantly, increasing by an average 26.3 percent from the same time last year.
- In India (Delhi), retail prices for onions, the country's most widely consumed vegetable, were three times higher than at the same time last year, despite the government easing import requirements.
- In Samoa, prices of roots staples, taro and yams, fell 12.9 percent, while banana prices dropped by 29.8 percent in October, following increases in supply to local markets.
- The Government of India increased the Minimum Support Price for the winter season crops, including wheat and barley, to encourage farmers to plant more.
- Initial estimates of damage to the Philippines crop production from Typhoon *Haiyan*, indicate that some 150 thousand hectares of rice paddy, maize and other high value crops have been adversely affected.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

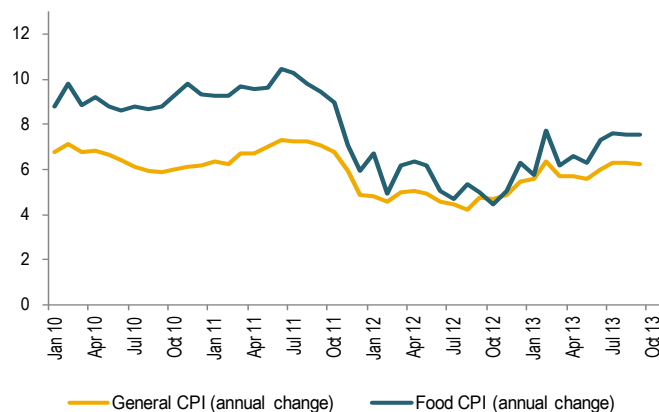
Food inflation outpaced general inflation around the Asia-Pacific region during the month of October. The general consumer price index (CPI) rose by an estimated 6.4 percent, while the food CPI increased by 7.8 percent compared with the same month during the previous year.

Through the first ten months of the year, general inflation in the region has remained relatively stable, ranging between 5.6 percent and 6.4 percent since January 2013. However, food inflation has been rising at a higher pace, ranging between 7.3 percent and 7.8 percent over the past five months.

Inflation in the region was driven most strongly by rising prices in Bangladesh, Indonesia, Pakistan and Sri Lanka. Inflation eased only marginally in Indonesia, falling by just one tenth of a percentage point to 8.3 percent in October compared to the same month last year. Food prices were a big factor in pushing prices higher, rising by 12.6 percent, a slightly slower pace than the 12.8 rise percent registered in September.

Higher food prices were also a major component of the 9.1 percent increase in Pakistan's general inflation in October. Bangladesh's 7.0 percent general CPI rise in October was slightly lower than the 7.1 percent recorded in September, but declines in non-food prices were the cause. Food prices actually rose in October by 8.4 percent, compared to September. In Sri Lanka, prices rose by 6.7 percent in October compared with the same month last year.

Food and general inflation (%)



Source: FAOSTAT, World Bank, and government statistics.

Note: The consumer price index (CPI) measures changes in the consumer basket of goods and services purchased by households. Regional estimates for the CPI are aggregated by a weighted geometric average of each respective national CPI and its corresponding regional GDP share (deflated by purchasing power parity estimates) as its weight. The regional index includes contributions from ten countries, comprising: Bangladesh, China, India, Indonesia, Pakistan, Philippines, Samoa, Sri Lanka, Thailand, and Viet Nam.

Note: Prices in US dollars (US\$) are converted from local currencies using the average exchange rate for the corresponding month of publication supplied by the IMF International Financial Statistics.

FOOD PRICES

The decline in international prices for Thai white 100% Grade B rice, the global benchmark for the grain, slowed in October, falling just 0.7 percent from the previous month. Overall, prices for Thai rice are 23.1 percent lower than at the same time last year. Maize prices also slid downward on strong supplies, dropping 4.1 percent from the previous month, and 37.5 percent from the previous year.

According to the FAO Food Outlook released in November, world cereals production is expected to increase by 8 percent in 2013, to 2 498 million tonnes. This forecast reflects upward adjustments to production estimates in Canada, China, the European Union, the United States and Ukraine. The sharp increase in the production estimate is based on a recovery of maize crops in the United States and wheat crops in CIS countries. World rice production in 2013 is expected to grow only modestly.

The **regional rice price index** fell 1.4 percent from the previous month for the second consecutive month in real terms, and is 2.0 percent below the level recorded during the same period last year. In nominal terms, the index was down 1.1 percent from the previous month and up 4.1 percent from the same time last year. In October, rice prices in real terms have been falling across all subregions except East Asia, where prices remained relatively unchanged compared to the previous month.

Falling prices in India helped pull the index down, as real rice prices there moved 3.5 percent lower than the previous month, and were 2.4 percent lower than during the same month last year. In nominal terms, they were 2.6 percent lower than in September. Meanwhile, the steep slide in Southeast Asia's rice prices last month slowed in October, edging down by just 0.8 percent in real terms.

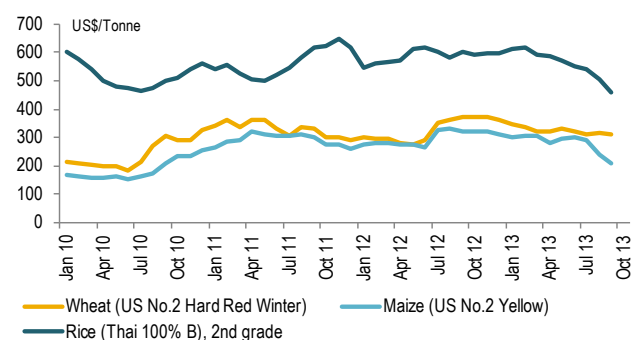
In real terms, the **regional wheat price index** edged downward by just 0.1 percent in October from the previous month, but was 3.7 percent higher than at the same time last year. The year-on-year increases in the regional index were mainly the result of rising prices in East Asia and India, where prices rose 5.2 percent and 8.2 percent, respectively. The index for Southeast Asia, which is not a significant producer of wheat, has been consistently declining over the past few years. In October, the Southeast Asia index fell 1.5 percent from the previous month and was 2 percent lower than at the same time during the previous year.

In nominal terms, the regional wheat price index remained relatively unchanged from the previous month, but was 10.9 percent higher than at the same time last year. There were no significant movements across the subregions this month. However in annual terms, prices rose in India by 17.7 percent, in Southeast Asia by 10.7 percent, in East Asia by 8.5 percent while Southeast Asia registered an increase of 6.8 percent.

Note: The regional price indices are aggregated using weights defined by the national Food Balance Sheet (FAOSTAT). Weights are defined as the availability of rice and wheat for domestic consumption for each respective index. Sub-regional groupings in the rice index are Cambodia, Indonesia, Lao PDR, Myanmar, the Philippines, Thailand and Viet Nam for Southeast Asia; Bangladesh, Nepal, Pakistan, and Sri Lanka for South Asia; China and Mongolia for East Asia.

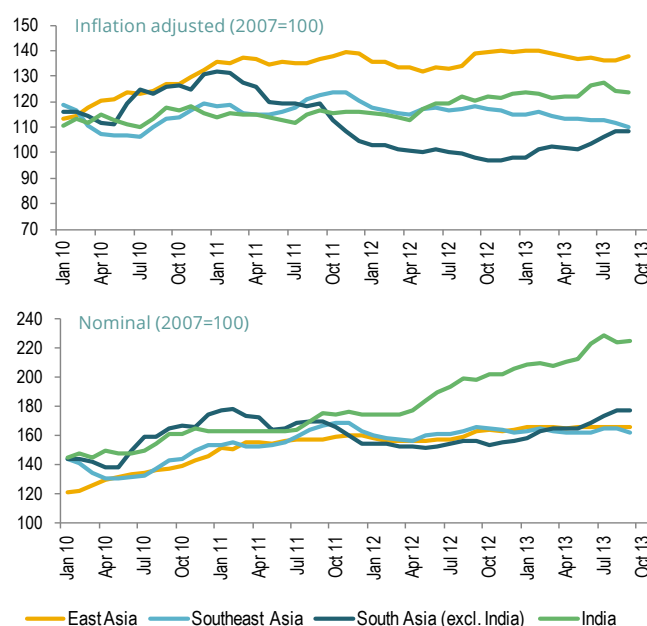
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia for the wheat index.

Global benchmark prices

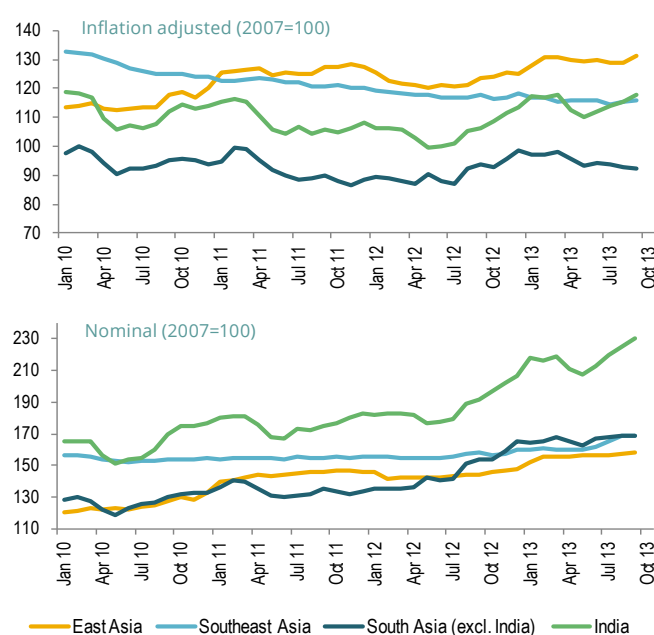


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



Source: FAO GIEWS, national government and IMF International Financial Statistics

COUNTRY OVERVIEW

FOOD PRICES

In **Afghanistan** (Kabul), prices for rice and wheat flour increased, while wheat prices have been moving downwards. Rice prices jumped significantly higher, with low-quality strains 26.3 percent more expensive, and high-quality varieties 22.1 percent higher than at the same time last year. Prices for high quality rice strains also increased in Faizabad (40.1 percent) and Maimana (26.4 percent) markets, both located in northern border provinces. Prices for low quality strains of rice were mixed with some markets in Kandahar reporting a decrease of as much as 18.5 percent.

Prices for wheat have fallen 8.4 percent since reaching a high in July. Prices for wheat flour increased in October after having steadily fallen since March, but were still 10.3 percent lower than in March. Cooking oil prices have remained stable in the second and third quarters of this year.

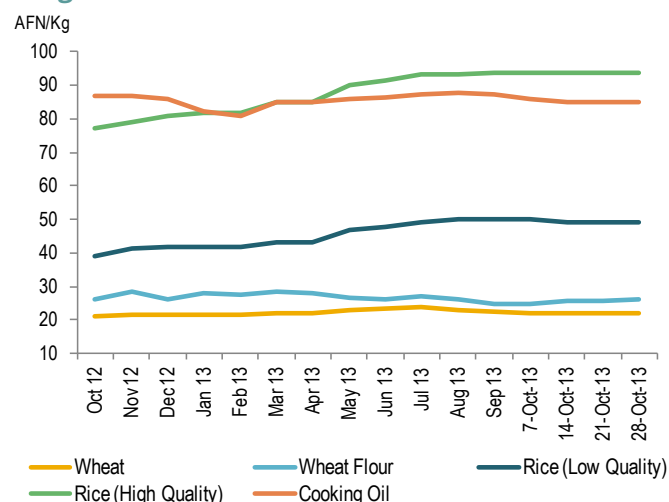
In **India** (Delhi), retail prices for tomatoes and onions rose towards the end of October, echoing previous price spikes in June and July of this year. Year-on-year prices for onions were up 301.4 percent, while tomato prices were 80 percent higher. Onion is the most widely consumed vegetable in India, and the government has taken several measures to try and curb skyrocketing onion prices during recent months. It has temporarily eased import requirements (fumigation and phytosanitary certificates). With price rises showing no signs of easing the Commission for Agricultural Costs and Prices (CACP) has also urged the government to draw up a long-term plan to increase availability of onions. India's price spikes for vegetables are in line with price spikes reported in other South Asia countries particularly, Pakistan and Sri Lanka.

Prices for rice, wheat, and wheat flour were stable. The government announced the Minimum Support Prices (MSP) for the winter season crops to be marketed in 2014-15. To encourage farmers to plant more, the MSP of wheat was fixed at INR 1 400 (US\$ 22.72) per 100 kg, an increase of INR 50 (US\$ 0.81) over last year. Barley MSP was also raised to INR 1 100 (US\$ 17.85) per 100 kg, an increase of slightly more than 10 percent over last year.

Retail rice prices in the **Philippines** for regular milled and well milled varieties fell just 1 percent from this year's highs in September. Prices remained 10.8 percent and 9.5 percent, respectively, above levels recorded at the same time last year. White maize prices rose slightly in October, but continued to remain within a stable range for the past year.

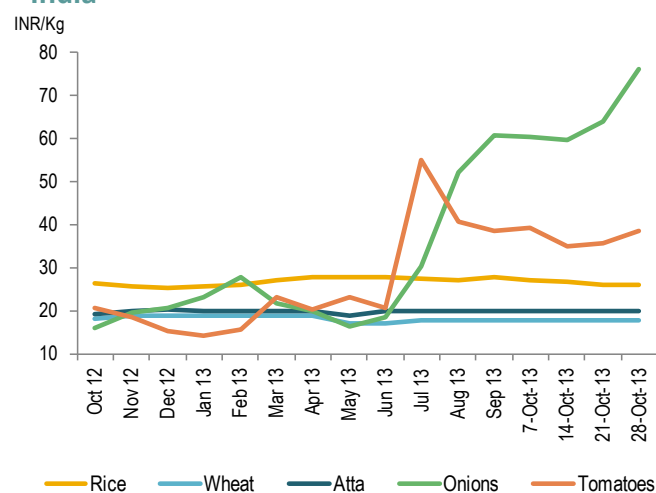
Before Typhoon *Haiyan*, the Department of Agriculture was forecasting a record 8.2 million-tonne maize harvest, 10.8 percent more than last year, and 28 percent more than in 2010. Maize is the second most important crop after rice. Initial estimates indicates that damage from the Typhoon would affect especially rice and other high value crops (coconut, banana and cassava) as the harvest of the 2013 main maize crop was almost completed when the Typhoon hit the country on 8 November (see page 6).

Afghanistan



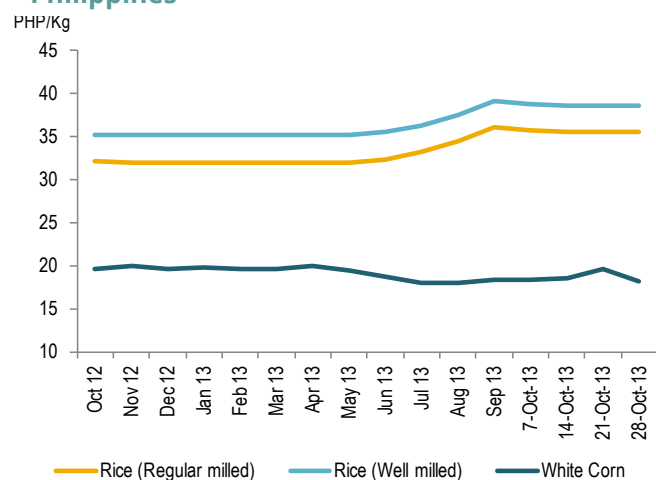
Source: World Food Programme, 2013

India



Source: Ministry of Consumer, Food, and Public Distribution, 2013

Philippines



Source: Bureau of Agricultural Statistics, Department of Agriculture, Philippines, 2013

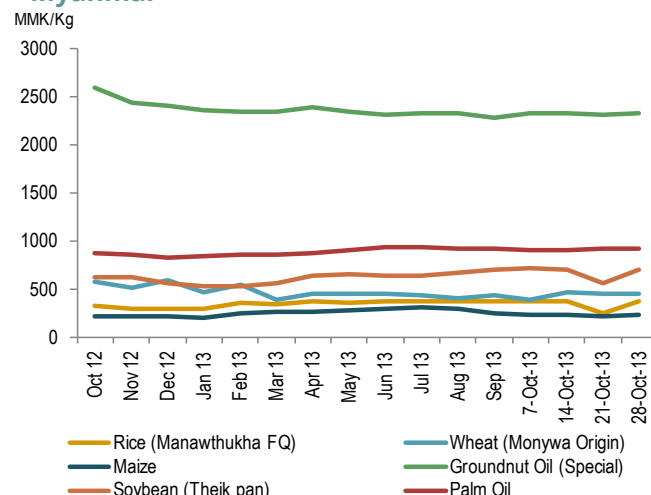
In **Myanmar**, prices for rice, maize, and soybean fell 9.6 percent, 7.6 percent and 4.6 percent, respectively, in October. Despite the decreases, these commodities were still 16.1 percent, 5 percent and 13.1 percent higher than at the same time last year. After exceeding the export target for rice in 2012-13, the country has again set a target of 1.5 million tonnes of rice exports in 2013-14. The target is unlikely to be met, as the rice crop this year was adversely affected by weather disturbances leading to higher prices. Furthermore, both Thailand and Vietnam are currently offering better quality rice at lower prices.

Wheat and groundnut oil prices remained relatively unchanged from the previous month, but were 20.6 percent and 10.2 percent lower, respectively, than prices at the same time last year.

In **Samoa**, prices of roots staples, taro and yams, fell 12.9 percent, while banana prices dropped by 29.8 percent in October following increases in supply to local markets. On average, the quantity supply of taro, yams and banana rose by 35.5 percent, 109.7 percent, and 98.1 percent, respectively, from the previous month, helping to drive prices down. Also price of tomatoes fell 13.9 percent from September, and 9.5 percent from the previous year, and cucumber prices were 28.1 percent lower than one year ago. Meanwhile, coconut prices rose by 11.4 percent.

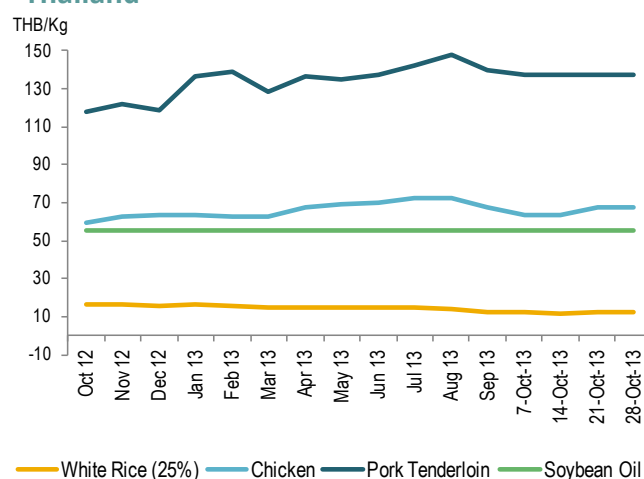
In **Thailand**, the price of rice (25% broken) at wholesale markets continued to fall, dropping by 4.1 percent in October. While that was a smaller decline than in previous months, prices were 24.9 percent lower than at the same time last year. The downward trend in prices follows the government's release of stocks of high-quality rice onto the Agriculture Futures Exchange of Thailand. It also auctioned 200 000 tonnes of rice in mid-October for sale in 5-kg packs at low prices to domestic consumers. Meanwhile, chicken prices were 10.3 percent higher and pork was 16.9 percent more expensive than at the same time last year. Soybean prices were stable.

Myanmar



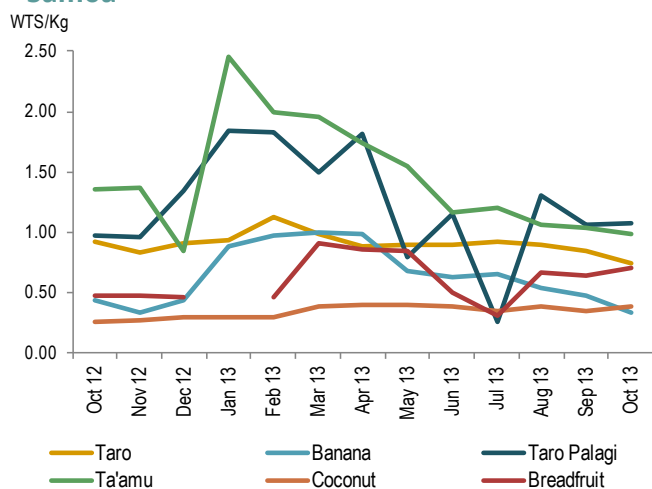
Source: E-Trade Myanmar, 2013

Thailand



Source: Department of Internal Trade, Ministry of Commerce, 2013

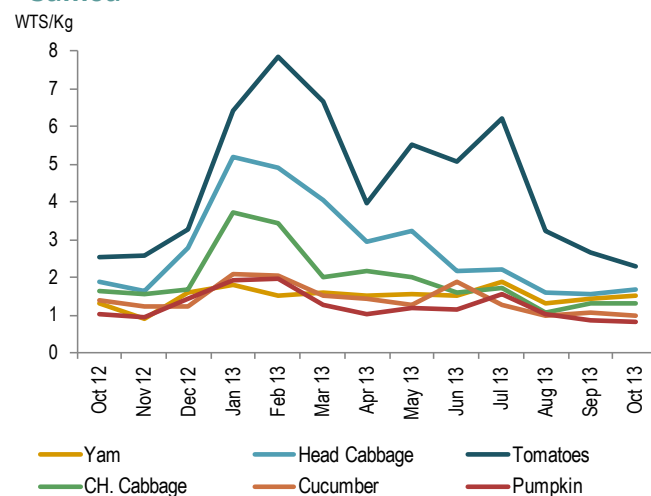
Samoa



Source: Samoa Bureau of Statistics, 2013

Note: Breadfruit prices not available for January 2013.

Samoa



Source: Samoa Bureau of Statistics, 2013

Note: Month-on-month changes are calculated as the price average of the current publication month from the price average of the previous month. Year-on-year changes are likewise reported as the price average of the current publication month from the price average of the same month in the previous year.

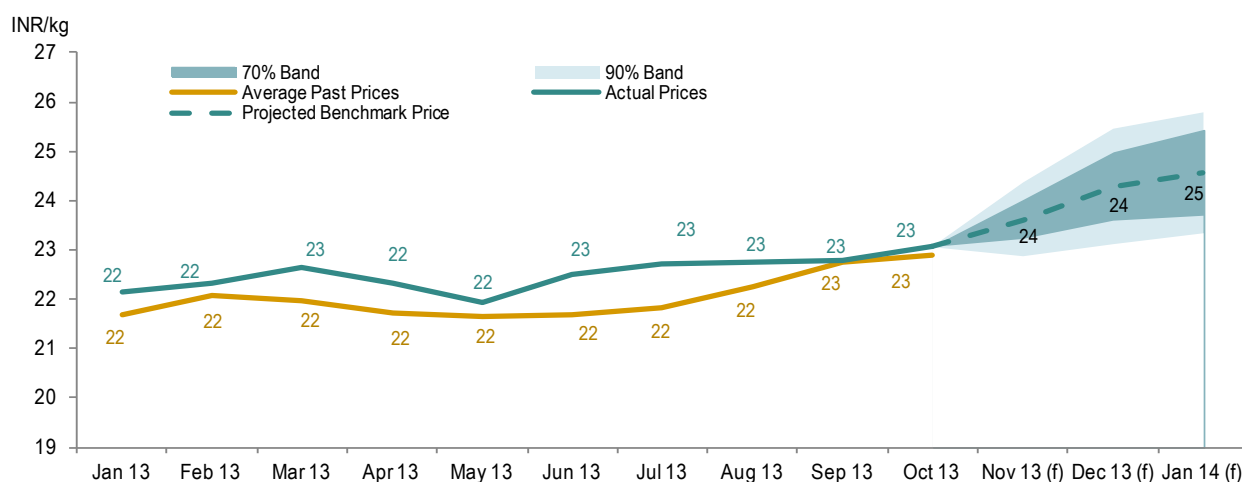
PRICE FORECAST

India (wheat, retail prices of four markets)

Retail prices for wheat in India were INR 23.1 (US\$ 0.37) per kg in October, a increase of 1.3 percent from the previous month and an increase of 10.7 percent from October last year. The benchmark future price for October is forecast to be INR 23.6 (US\$ 0.38) per kg (within a 70% benchmark band of INR 23.2 – 24 [US\$ 0.38 – 0.39] per kg) a slight increase

of 3.1 percent from October, and an increase of 15.4 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to increase gradually within a benchmark band of INR 23.7 – 25.4 (US\$ 0.38 – 0.41) per kg.

Retail price for wheat



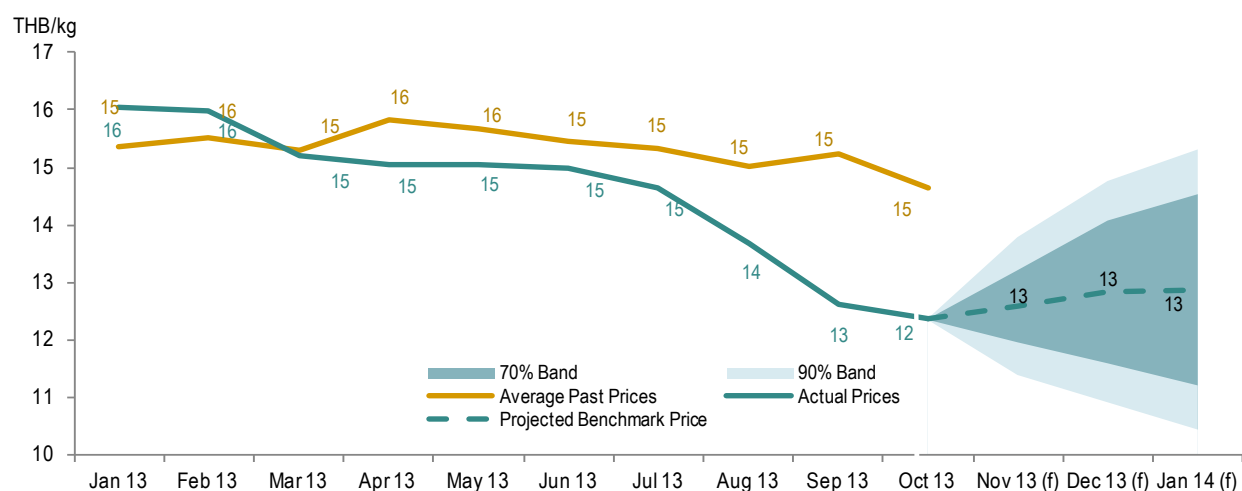
Source: Ministry of Consumer, Food, and Public Distribution, and FAO staff calculations, 2013

Thailand (rice 25% broken, wholesale)

Wholesale prices for 25% broken rice in Thailand (Bangkok) were THB 12.4 (US\$ 0.40) per kg in October, a decrease of 4.1 percent from the previous month and a decrease of 24.9 percent from October last year. The benchmark future price for November is forecast to be THB 12.6 (US\$ 0.40) per kg (within a 70% benchmark band of THB 12.0 – 13.2 [US\$ 0.38

– 0.42] per kg) a slight increase of 1.9 percent from October, and a decrease of 22.0 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to increase gradually within a benchmark band of THB 11.2 – 14.5 (US\$ 0.32 – 0.46) per kg.

Wholesale price for rice



Source: Department of Internal Trade, and FAO staff calculations, 2013

Technical notes: The ESA 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 band. 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/>.

NATIONAL POLICY DEVELOPMENTS

Production oriented policies

The Government of **Bangladesh**, in collaboration with private sponsors, will provide farmers with solar-powered irrigation pumps under a project financed by the Bangladesh Climate Change Resilience Fund. The 1 300 solar pumps will partially replace diesel irrigation pumps and are expected to save an estimated US\$ 3.2 million while cutting carbon emissions by 10 000 tonnes every year.

China has allocated CNY 600 million (US\$ 97.71 million) to encourage food production and improve national food security. Funds will go to the five major agricultural provinces (Heilongjiang, Liaoning, Shandong, Anhui and Jiangxi) to increase credit allocation for farmers and increase their productivity. In addition, the Ministry of Finance has allotted CNY 6.33 billion (US\$ 1.03 billion) for irrigation and water conservation projects in major grain-growing regions and other poverty-stricken areas. According to the National Bureau of Statistics, the country's grain output rose 3.2 percent year-on-year to hit 589.6 million tonnes in 2012, marking the ninth consecutive year of growth. Grain output this summer, mostly wheat, hit a record high of 132 million tonnes. Maize, which is harvested in autumn, is expected to hit a record high of 215 million tonnes.

The Ministry of Agriculture and Forestry of **Lao PDR** entered into a partnership with the World Food Programme to enhance the livelihoods of people living in rural areas through the Livelihood Initiatives for Nutrition programme. The Ministry will oversee the coordination, implementation and monitoring of Food-for-Assets/ Cash-for-Assets and Purchase-for-Progress activities in the context of the programme to support rural villagers in building small-scale agricultural assets and community-based infrastructure and enhance their productivity and technical capacities.

The Government of **Nepal** plans to launch the country's first weather warning system for farmers to reduce agricultural losses during the monsoon season. The Ministry of Agricultural Development will pilot the initiative in four districts by the end 2013, and scale it up in 25 most-prone

districts by early 2014. The system includes the installation of three weather monitoring radars nationwide capable of forecasting heavy rainfall and drought, and the sending of text-message alerts to farmers through mobile phones.

According to local media sources, the **Pakistan's** Economic Coordination Committee (ECC) tasked the Trading Corporation of Pakistan to import 500 000 tonnes of urea fertilizer for the winter crop season in two shipments: one of 300 000 tonnes in November, and another of 200 000 tonnes in December. In addition, the ECC directed the Ministry of Petroleum and Natural Resources to ensure ample supplies of gas during the winter crop season to all the domestic fertilizer producers according to their quota allocations.

The Government of **Thailand** is speeding up the implementation of its agriculture zoning plan, which aims during the next three years to shift up to 4.3 million hectares of land used to grow rice (about 38 percent of the current rice area) to other crops such as cassava, sugar cane and maize. Under the programme, about 24 million hectares of farmland were classified based on geographical factors, yield, local agro-businesses, transport costs and irrigation patterns. The goal is to boost production of alternate crops and rein in excessive production of some agriculture products. In this context, the Ministry of Agriculture and Cooperatives has recently urged farmers in the Buriram province to shift from rice to sugarcane on about 48 000 hectares, given the presence of sugar mills in the area and soil quality. The Ministry estimates about 4.3 million hectares of land are unsuitable for rice cultivation. Thailand currently produces about 23.5 million tonnes of rice from around 12.6 million hectares with an average yield of 3 tonnes per hectare, much lower than the global average of over 4 tonnes per hectare.

Sources of policy information: Energy Live News (Bangladesh); Ministry of Agriculture and Xinhua State News Agency (China), Press Information Bureau (India); Lao News State Agency (Lao PDR); IRIN (Nepal); PakTribune (Pakistan); The Nation, Oryza and National News Bureau (Thailand). Policy developments for the Asia-Pacific region are collected by FAO - Food and Agriculture Policy Decisions Analysis (FAPDA). Detailed and additional information is available in the FAPDA Tool: <http://www.fao.org/economic/fapda/tool/Main.html>

OTHER UPDATES

Typhoon Haiyan inflicts US\$ 110 million in crop damage in the Philippines

Typhoon *Haiyan*, the strongest typhoon ever recorded, killed over 4 000 people and inflicted over US\$ 110 million in damage to crops, and US\$ 225 million to the agriculture sector because of losses to infrastructure, livestock, seeds, fisheries and other elements, according to initial estimates by FAO on 19 November. Assessments are ongoing, but the organization said that overall damage to agriculture was high, and that the livelihoods of affected households have been severely compromised. Official partial estimates indicate that some 153 495 hectares of rice paddy, maize and other high value crops such as coconut, banana, cassava, mango, vegetables have been adversely affected. Over 80 percent

of the damaged paddy area and 70 percent of the value of paddy and maize losses are concentrated in the Region VIII, Eastern Visayas.

The Agriculture Secretary said the government had prepared rice seeds for replanting, which would be distributed to farms that suffered total damage. The government still has 300 000 tonnes in buffer seed stock, out of the 600 000 metric tonnes it had earmarked in preparation for potential agricultural damage in times of natural disasters. The government's buffer stock of paddy seeds is adequate for planting 400 000 hectares of rice land, which is a tenth of the estimated four million hectares planted with rice every year.

IMF urges Thailand to end rice scheme

The International Monetary Fund has urged the Government of Thailand to end its rice support programme, which has led to several billion dollars in losses and cost the country the mantle of world's biggest rice exporter, which it held for three decades before the programme began. "The staff sees clear merit in replacing the rice pledging scheme with budgetary transfers targeted at low-income agricultural households," the IMF said in its annual review. Under the programme, the government buys rice from farmers at roughly 40 percent above world market prices. Thai rice has become less competitive and exports have plummeted, with India and Viet Nam surpassing Thailand in total rice exports.

The IMF said losses from the rice pledging programme made the government more vulnerable to external shocks and may be weakening state financial institutions that disburse the money to farmers. The Bank of Agriculture and Cooperatives sought permission this month to borrow money, saying it did not have enough funds to cover payouts to farmers until the end of the year. The Thai government, however, rejected the advice of the IMF and said the programme would stay, as it raises farmers' incomes and boosts consumption, both of which are good for the economy.

Grain Council doubts Indian wheat exports will soar

The International Grains Council has cautioned against forecasts that wheat exports from India will soar this season because of an announcement by the government that it would cut the minimum floor price for the grain. The Council said that much of India's wheat exports were low quality and used mostly for animal feed. However, maize, which is also used for animal feed, is still priced below wheat from India, thanks in part to bumper supplies from the United States.

The Council did predict that India's wheat exports would improve because of the lower price, which some reports put at US\$ 260 per tonne for a US\$ 40 cut, and lifted its forecast for Indian exports by one million tonnes to five million tonnes for 2013-14 (April-March). That forecast is lower, however, than those of other agencies, including those of the United States Department of Agriculture.

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I hope this monthly report is useful and meets your expectations.

Hiroyuki Konuma
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