



ASIA PACIFIC FOOD PRICE AND POLICY MONITOR

March 2014 - Issue 8

HIGHLIGHTS

- The pace of food prices rises around the Asia-Pacific region slowed to 4.4 percent in February compared to 5.4 percent in January because of an easing of rising prices for staple commodities in China, Indonesia, and Sri Lanka.
- The regional rice price index up by 0.8 percent in February in real terms. Regional wheat prices fell 0.5 percent, but were 2.4 percent higher than last year because of rising prices in India and East Asia.
- Vegetable prices in Sri Lanka continued to fall in February after spiking in the final quarter of last year. Prices for onions fell 15.9 percent, tomatoes fell 2.4 percent and potatoes by 3 percent.
- India approved the implementation of the National Mission on Agricultural Extension and Technology (NMAET). It will restructure and strengthen agricultural extension, enable delivery of appropriate technology and impart agronomic practices to farmers.
- The EU will help 15 Pacific Island countries in reducing their reliance on fossil fuels and building capacities to cope with climate change through a US\$ 48.7 million programme, Adapting to Climate Change and Sustainable Energy, in partnership with development agencies.

REGIONAL OVERVIEW

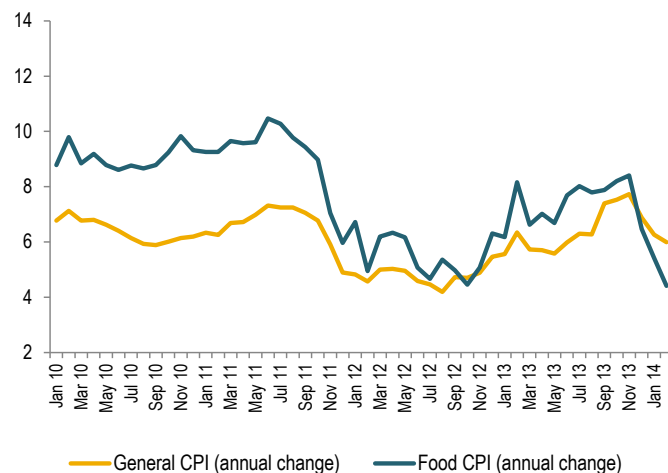
FOOD AND GENERAL INFLATION

The regional consumer price index (CPI) rose by an estimated 6.0 percent in February, a slower pace than last month's 6.3 percent. Meanwhile, increases in the regional food price index (FPI) moderated, rising by an estimated 4.4 percent in February compared to 5.4 percent in January. Falling prices of staple commodities in China, Indonesia, and Sri Lanka helped slow the rise in food prices.

February's CPI rate was helped by lower than expected general inflation in China, where prices rose by 2.0 percent in February compared to 2.5 percent in January. China's food price inflation fell to 2.7 percent compared to 3.7 last month, on declines in prices for pork (8 percent), eggs (5.8 percent), and cooking grease (5.1 percent). Prices for non-food items grew 1.6 percent, however, in the same period. The easing in the regional CPI was also supported by Indonesia where the FPI continued to slow this month to 9.6 percent from 11.4 percent in the previous month. Similarly, in Sri Lanka food prices rose by 0.9 percent in February as opposed to 1.3 percent in January, as prices for fish and a variety of vegetables such as onions, tomatoes, and potatoes fell in Colombo markets. These decreases, however, were offset in part by increases for rice and dairy products (see page 4).

Some countries, nonetheless, registered rising price trends. Food prices increased slightly in Pakistan, rising by 7.6 percent compared to 7.2 percent for the previous month as wheat and wheat products, which account for 4.6 percent of the consumer basket, were more expensive. Rising food prices in the Philippines were driven by a double-digit

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.

increase in rice prices from the previous year, with regular milled rice prices up 15 percent and well-milled rice prices up 13.7 percent from February 2013.

FOOD PRICES

International prices for wheat and maize rebounded in February, with wheat increasing 5.1 percent and maize 5.7 percent from January, while prices for rice remained unchanged. Despite the month-on-month rebound in prices, prices are well below their average at this time last year, and are still in line with declining trends over the past six months.

FAO's latest estimate for world cereal production in 2013 stands at a record 2 515 million tonnes, 9 percent higher than 2012. Production increased because of a recovery of maize crops in the United States and of wheat crops in CIS countries. Wheat production is estimated at 716 million tonnes, up 8.5 percent from 2012, reflecting favourable weather in CIS countries, while global rice production is estimated to have risen moderately in 2013, by less than 1 percent to 494 million tonnes, in milled terms.

In real terms, the **regional rice price index** increased by 0.8 percent in February, and edged up by just 0.4 percent from the same period in 2013. The month-on-month increase was supported primarily by changes in South Asia and India, which rose by 3.8 and 1.3 percent, respectively. Prices in East Asia and South Asia remained unchanged. The decline in the Southeast Asia index was led by falling prices in Thailand and the Philippines.

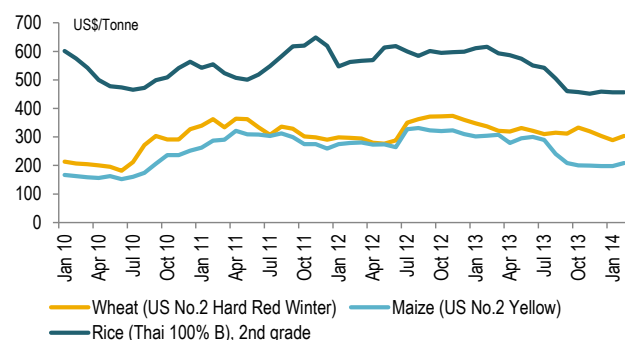
In nominal terms, the regional rice price index rose 0.9 percent from the previous month, and increased 5.6 percent from the same period in the previous year. The rise was driven by higher prices in South Asia, which includes Bangladesh, Sri Lanka, and Pakistan (see pages 3 and 4).

In real terms, the **regional wheat price index** decreased 0.5 percent from the previous month, but increased 2.4 percent from February 2013. The Southeast Asia index continued to rise, increasing by 2.5 percent from the previous month and building on that month's rebound in wheat prices. Southeast Asia's index remains 1 percent higher than at the same time last year. The 2.4 percent year-on-year increase in the regional index was based on a 2.4 percent rise in East Asia, a 3.9 percent rise in India, and a 1.8 percent rise in South Asia where prices increased in Bangladesh, Pakistan and Sri Lanka (see page 4).

In nominal terms, the regional wheat price index fell 0.4 percent from the previous month, but increased 8.0 percent from the same period in the previous year. All sub regions registered year-on-year increases. India's wheat prices moved upwards by 13.1 percent, Southeast Asia's by 9.5 percent, South Asia's by 9 percent, and East Asia's by just 4.9 percent.

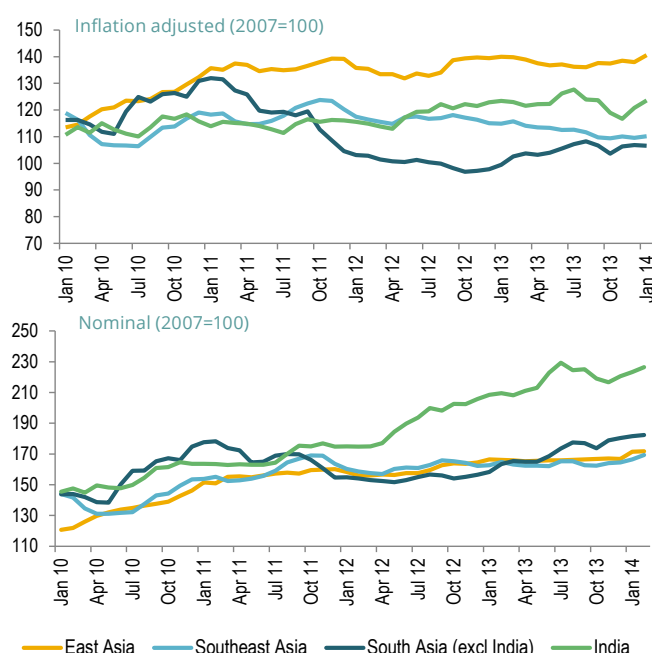
Note: The regional price indices are aggregated using weights defined by the national Food Balance Sheet (FAOSTAT). Weights are defined as the availability of rice and wheat for domestic consumption for each respective index. Sub-regional groupings in the rice index are Cambodia, Indonesia, Lao PDR, 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

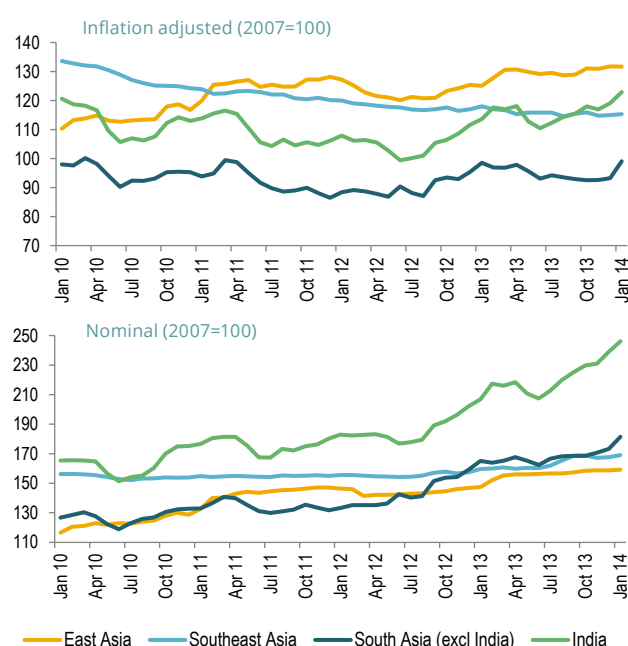


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **Bangladesh**, the retail price for coarse rice in Dhaka markets was unchanged at BDT 34.50 (US\$ 0.45) per kg in February, but 12 percent higher than last year. The upward trend began in last October when prices increased from BDT 32.93 (US\$ 0.42) per kg. The wholesale price of coarse rice increased 13.8 percent from the same period last year. Higher prices in February can be attributed to political protests, which have affected the supply chain through transport blockades, and rising fuel prices. In December 2013, the government started the procurement of 0.4 million tonnes of Aman (rain-fed) rice at BDT 30 per kg (US\$ 379 per tonne) for parboiled rice from the domestic market to provide a price incentive to farmers.

Rising urban demand has pushed wheat consumption by 40.9 percent over the past decade and by 7.5 percent to 4.3 million tonnes in 2013 alone. Domestic production, however, has stagnated at about 1 million tonnes resulting in greater imports. The government announced in February it will issue tenders for 100 000 tonnes to build up reserves while capitalizing on low global prices. Since July 2013, the state has bought 300 000 tonnes of wheat and signed a deal with Ukraine to import 200 000 tonnes. The private sector accounted for 70 percent of the 1.94 million tonnes of wheat imported this fiscal year. Retail prices for wheat flour (atta) increased by 1.1 percent last month continuing an upward trend that began last October, while wholesale prices fell 4.1 percent. On an annual basis, the retail price has fallen 2.2 percent and the wholesale price 7.9 percent.

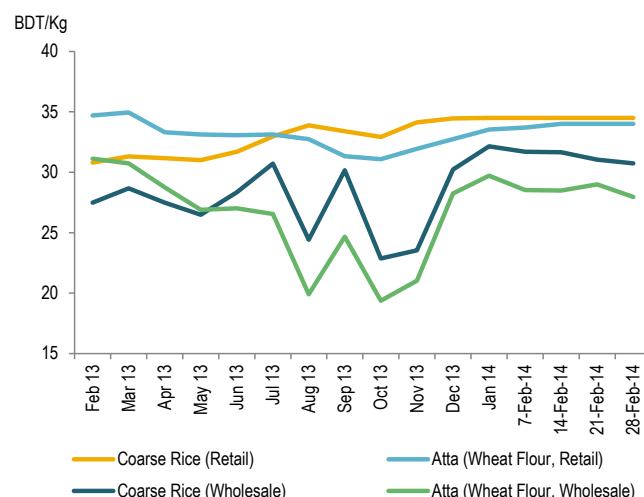
In **Cambodia**, short-term prices for the three most widely consumed varieties of rice – mixed, milled (Phak Khney) and rice (Neangminh) – have been stable. Prices for Phak Khney and Neangminh have not changed since July 2013, but have risen by 12 percent and 8.6 percent, respectively, since February last year. FAO estimates that Cambodia will produce 9.3 million tonnes of paddy in 2013/14, while the main long-grain crop will total 7.3 million tonnes, up 1.7 percent. A 3.3 percent expansion in planted areas is driving production. The government is aiming to export 1 million tonnes of milled rice by the end of 2015.

In February, retail prices for chicken averaged 7.0 percent higher than last month, although 3.2 percent lower than last year. Chicken prices were pushed higher by a price spike during the first two weeks February because of the Chinese New Year. Chicken prices reached an annual high of KHR 25 000 (US\$ 6.27) at that time. Retail prices for chicken declined to an average price of KHR 22 000 (US\$ 5.52) in the last week of February, and were roughly 2.3 percent higher than the previous month.

In **Lao PDR** (Vientiane), retail prices for glutinous rice increased by 6.7 percent (first quality) and 5.8 percent (second quality) in February compared to the same period last year. Glutinous rice accounted for 92 percent of Lao PDR rice production in the 2010/11 season. Prices for ordinary rice, increasingly consumed in urban areas, declined 5.4 percent (first quality) and 6.3 percent (second quality) during the same period.

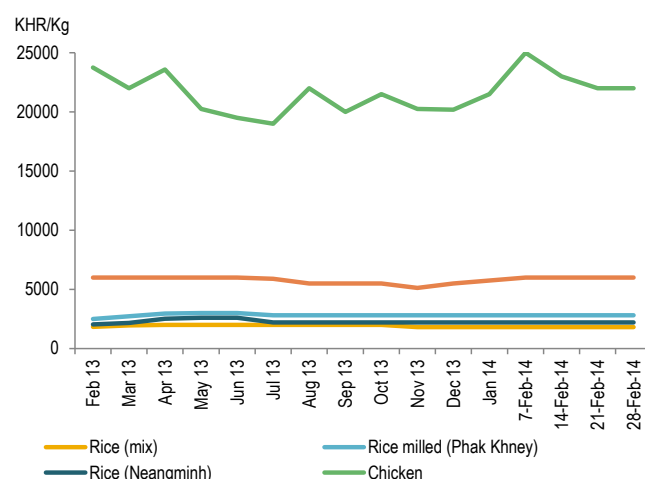
FAO estimates 2013 main paddy production at 3.5 million tonnes, similar to 2012 bumper output. Floods during June-

Bangladesh



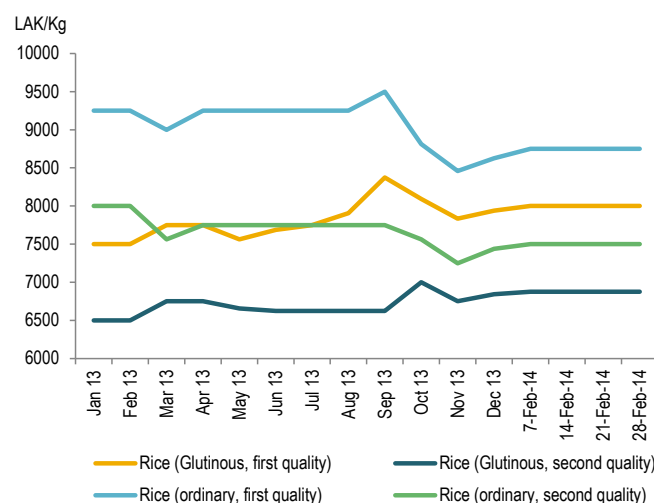
Source: Bangladesh, National Food Policy Capacity Strengthening Programme, 2014

Cambodia



Source: Cambodia, Ministry of Agriculture Forestry Fisheries, 2014

Lao PDR



Source: Lao PDR, Ministry of Industry and Commerce, 2014

September prevented higher outputs. The government continues to support farmers by providing inputs and credit, and developing infrastructure, such as irrigation. More than 60 percent of agricultural land in Lao PDR is used for rice. Over 70 percent of Lao farmers grow rice for subsistence.

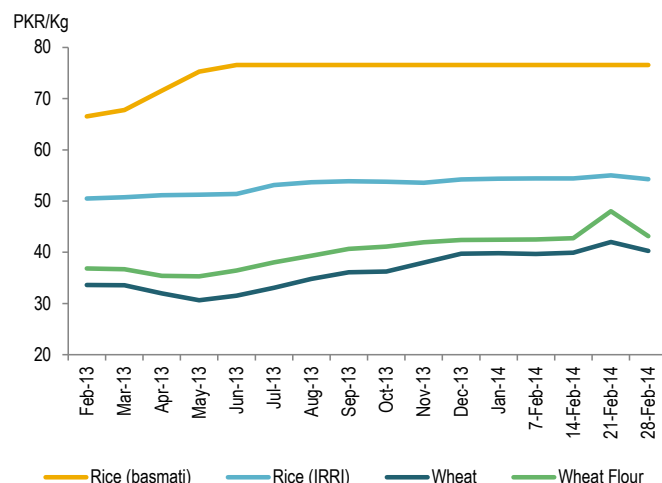
In **Pakistan**, retail prices for rice and wheat were stable compared to the previous month, but were significantly higher than prices in February 2013. For rice, both basmati and IRRI varieties reached annual highs and were 15 percent and 7.9 percent more expensive, respectively, than last year. For wheat, retail prices grew 1.8 percent from the previous month and 20.5 percent from the previous year. Wheat flour prices also increased 19.8 percent from the previous year.

Prices for wheat and wheat flour have been rising since June 2012; the result of lower production, low stocks and sharp rises in domestic fuel prices. The government is taking steps to boost wheat production and reduce dependence on imports, forecast to reach 950 000 tonnes during the 2013/14 marketing year (May/April). It has ensured supplies of farm inputs, besides developing high-yielding wheat varieties. In November 2013, the Economic Coordination Committee of Pakistan increased the price at which wheat is bought from farmers by 15 percent to PKR 1 200 per 40 kg (US\$ 11.1), representing an increase of 185 percent over the last five years. In addition, on 17 February, the Agricultural Credit Advisory Committee approved an upward revision in the agriculture disbursement target for the FY 2013-14 (July-June) from PKR 360 billion to PKR 380 billion (US\$ 3.4-3.6 billion). The total agricultural credit disbursement from July 2013 to January 2014 was 12 percent higher than during the same period one year earlier.

Vegetable prices in **Sri Lanka** continued to fall in February in line with those in neighboring countries. Prices for onions fell 15.9 percent, tomatoes fell 2.4 percent and potatoes by 3 percent. Prices for these commodities spiked during the fourth quarter of last year, in tandem with vegetables prices in neighbouring countries such as India. Onion prices have fallen by 50.1 percent, tomatoes by 14.5 percent and potatoes by 22.8 percent since November when the Ministry of Finance slashed import duties on onions and potatoes to ensure abundant supplies. The government's goal is to achieve at least 50 percent self-sufficiency in potatoes, big onions and dried chilies by 2015. To incentivize planting in support of that objective, in February the government set guaranteed producer prices at SRI 80 (US\$ 0.61) per kg for potatoes, SRI 60 (US\$ 0.46) per kg for onions and SRI 350 (US\$ 2.68) per kg for dried chilies.

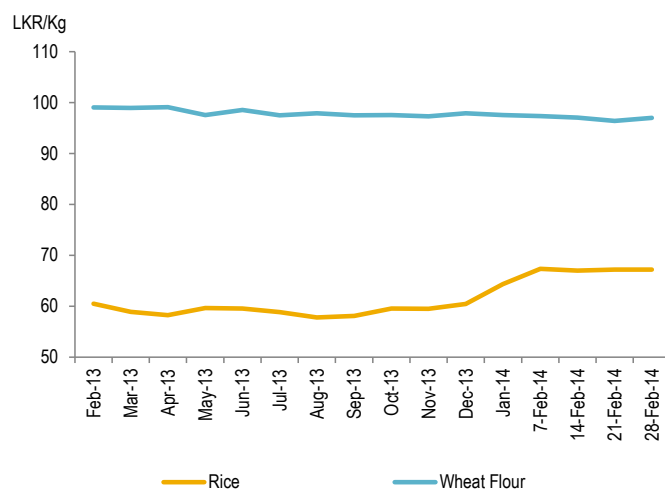
The price for wheat flour has slowly fallen over the past year, sliding by 2.1 percent since February 2013 and 0.6 percent from this January. Conversely, rice prices continued to climb, rising 3.5 percent from the previous month and 11.1 percent since one year ago. Rice prices began trending higher in November 2013, and over the past three months have increased by 12.9 percent. This recent sharp rise was triggered by expectations that drought will reduce output from the main (Maha) crop, which accounts for 65 percent of the annual harvest.

Pakistan



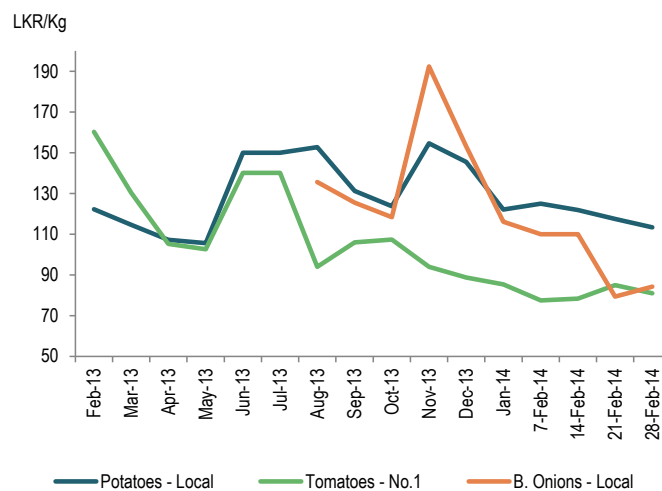
Source: Pakistan Bureau of Statistics, 2014

Sri Lanka



Source: Department of Census and Statistics - Sri Lanka, 2014

Sri Lanka



Source: Department of Census and Statistics - Sri Lanka, 2014

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.

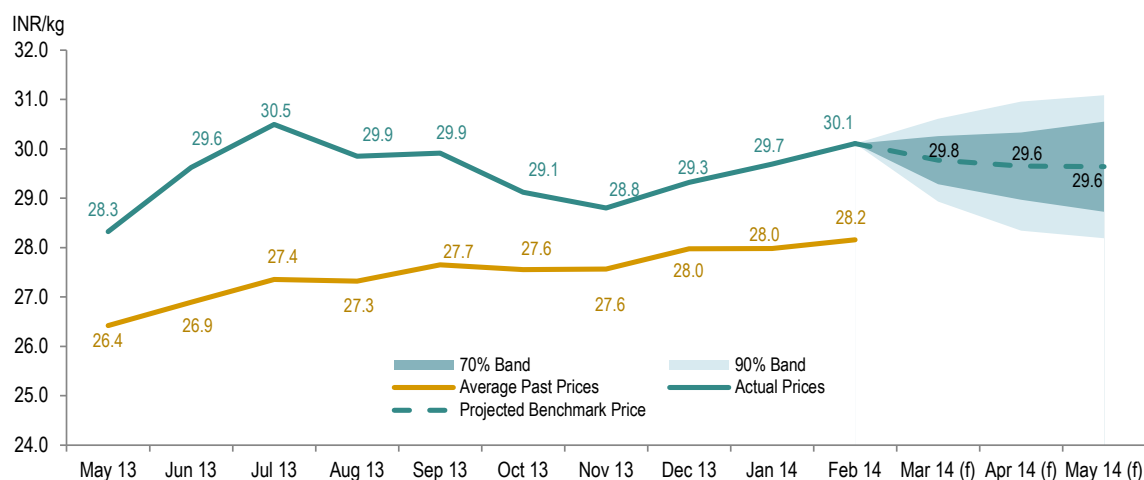
PRICE FORECAST

India (average of four markets, rice retail)

Retail prices for rice in India (average of four markets) were INR 30.1 (US\$ 0.48) per kg in February, an increase of 1.4 percent from the previous month and an increase of 8.1 percent from February last year. The benchmark future price for March is forecast to be INR 29.8 (US\$ 0.48) per kg (within a 70% benchmark band of INR 29.3 – 29.8 [US\$ 0.47 – 0.48]

per kg) a slight decrease of 1.1 percent from February 2014, and an increase of 7.6 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 decrease gradually within a benchmark band of INR 28.7– 29.6 (US\$ 0.46 – 0.48) per kg.

Retail price for rice



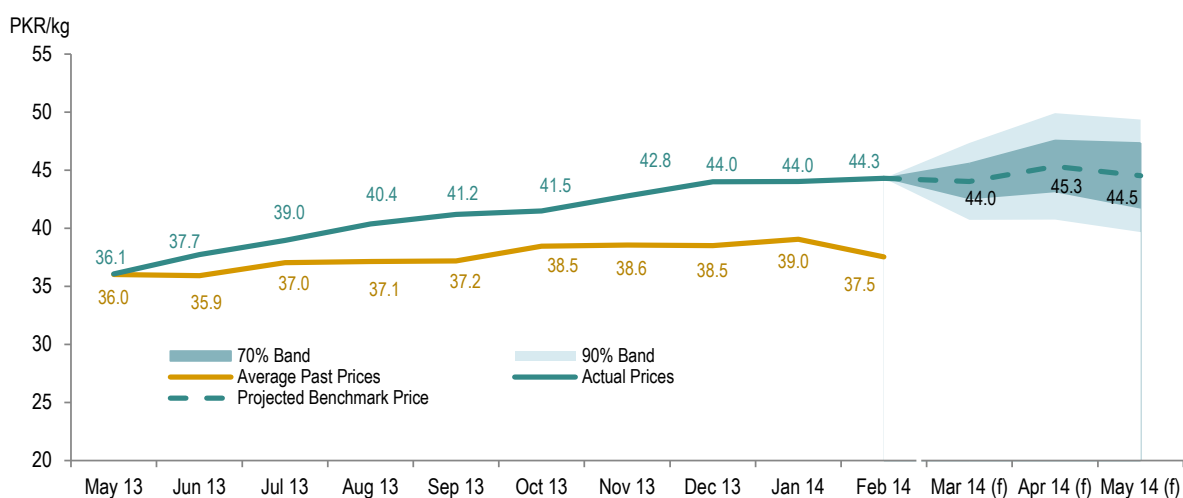
Source: FAO GIEWS and FAO staff calculations Note: Four markets include Chennai, Mumbai, New Delhi and Patna.

Pakistan (average of five markets, wheat flour retail)

Retail prices for wheat flour in Pakistan (average of five markets) were PKR 44.3 (US\$ 0.42) per kg in February, an increase of 0.6 percent from the previous month and an increase of 20.7 percent from February last year. The benchmark future price for March is forecast to be PKR 44.0 (US\$ 0.42) per kg (within a 70% benchmark band of PKR 42.5

– 45.6 [US\$ 0.40 – 0.43] per kg) a slight decrease of 0.6 percent from February, and an overall increase of 19.7 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for wheat flour are likely to increase gradually within a benchmark band of PKR 41.7 – 44.5 (US\$ 0.40 – 0.42) per kg.

Retail price for wheat flour



Source: FAO GIEWS and FAO staff calculations. Note: Five markets include Karachi, Lahore, Multan, Peshawar and Quetta.

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

Brunei Darussalam is implementing a paddy buyback programme for domestic farmers at BND 1 600 (US\$ 1 259) per tonne, one of the highest support prices in the world, according to media reports. The programme is designed to make Brunei Darussalam at least 60 percent self-sufficient in rice production by 2015. Foreign firms will be encouraged to participate, and offered three-year contracts and land to cultivate rice. In addition, the Department of Agriculture and Agrifood will provide up to 50 percent discounts on fertilizers and insecticides to domestic small-scale farmers.

In **India**, the Cabinet Committee on Economic Affairs has approved the implementation of the National Mission on Agricultural Extension and Technology (NMAET) with a total outlay of INR 130.73 billion (US\$ 2.1 billion). The NMAET aims to restructure and strengthen agricultural extension, enable delivery of appropriate technology and impart agronomic practices to farmers. To achieve these objectives, government agencies will employ a mix of farm-level and government-level approaches. Dissemination of modern technologies is expected to complement encouraging farmers to form Interest Groups and Farmer Producer Organizations. Government will also promote mechanization and ensure inputs are available. The NMAET is intended to improve and amalgamate several previous projects and programmes of the Department of Agriculture and Cooperation.

The **Indian** government has also developed contingency plans for over 500 districts to cushion the impact of crop losses in the event of weather disturbances. Each district has been analyzed for extreme variations in rainfall and the possibilities of extreme weather. State governments have been ordered to stock adequate supplies of seeds, ensure timely availability of fertilizers and provide sufficient credit to farmers.

On 14 February, the Land Bank of the **Philippines** launched the Agriculture and Fisheries Financing Program (AFFP), a flexible credit programme to benefit 40 000 marginalized farmers and fishermen in the 20 poorest provinces of the country, with funding of PHP 550 million (US\$ 12.2 million).

Trade and market policies

Cambodia's Ministry of Commerce and rice exporter associations announced a new Code of Conduct for exporting rice to the European Union (EU). The EU has raised concerns that rice grown in Viet Nam is being shipped to Europe through Cambodia to benefit from duty-free and quota-free policies for which Cambodia is eligible but Viet Nam is not. European buyers and customs officials can contact the Cambodian Ministry to request information regarding rice origin and a Joint Audit Committee will be set up to enforce the ethical code and investigate claims of fraud. Penalties include the permanent revocation of the certificate of origin, which permits the duty-free access of rice to EU markets.

China increased the 2014 minimum purchase prices for rice to incentivize planting and move closer to achieving self-sufficiency in rice production. The minimum purchase price for early rice was raised by CNY 60 per tonne, to CNY 2 700 (US\$ 442), mid to late rice by CNY 60 to CNY 2 760 (US\$ 451) per tonne, and japonica by CNY 100, to CNY 3 100 (US\$ 507) per tonne. Last year's grain output increased 2.1 percent year on year to 601.9 million tonnes, marking the 10th consecutive year for increased production. However, losses of arable land to urbanization and land pollution, combined with population growth, makes self-sufficiency a difficult challenge. The government also announced a plan to purchase pork from breeders to prevent excessive declines in prices of live hogs because of bumper production.

India's Cabinet Committee on Economic Affairs (CCEA) agreed on an export subsidy for raw sugar of INR 3 333 (US\$ 53.52) per tonne to infuse capital into the sugar industry, make the commodity more competitive on globally, and help millers clear their debts with farmers.

The **Philippines** announced the 2014 rice import quota under the WTO's minimum access volume (MAV) for the private importers will be 163 000 tonnes. The highest allocation was given to Thailand (98 000 tonnes), and is intended to take advantage of current low prices for Thai rice. The import duty is set at 40 percent, compared to 50 percent for imports outside the MAV.

Thailand's caretaker government adopted several measures during February to raise funds for farmers who pledged their rice under the 2013/14 paddy-pledging programme and are still waiting for payments. The government is conducting regular tenders to sell rice from its stockpile, targeting about 1 million tonnes per month, and the Election Commission has approved the government's plan to take THB 20.7 billion (US\$ 633 million) from the central budget to pay farmers. According to Oryza, the Chinese government has confirmed that it will honor the Memorandum of Understanding signed with Thailand in November 2013 to buy one million tonnes of rice annually from the Thai government for the next five years. Some media reported that China had cancelled the government-to-government deal.

Consumer oriented policies

In **Pakistan**, the Punjab provincial government launched an SMS system for consumers to receive prices for daily-use items. Authorities will also take action on complaints against sellers violating the recommended price list under the Punjab Consumer Protection Act.

Sources of policy information: Ministry of Food and AG News (Bangladesh); Oryza (Brunei); Open Development News (Cambodia); Ministry of Agriculture and Oryza (China); Ministry of Agriculture, Information Press Bureau and Global Trade Alert (India); Associated Press of Pakistan (Pakistan); Department of Agriculture and International Grain Council (Philippines); Government News Portal (Sri Lanka); 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

EU agrees to fund Pacific Islands climate change programmes

The European Union (EU) has signed a financing agreement with the Pacific Islands Forum Secretariat to support a US\$ 48.7 million programme, the Adapting to Climate Change and Sustainable Energy Programme. The Pacific Island nations are particularly vulnerable to climate change: rising sea levels threaten the very existence of some nations while the salt water intrusion damages and destroys crops and livelihoods. The programme will address challenges shared by the 15 participating nations, namely adapting to climate change, reducing their reliance on fossil fuels and capacity building. In implementing the programme, the EU will work in partnership with the German International Cooperation Agency, the New Zealand government, the Asian Development Bank and the Secretariat of the Pacific Community.

In the area of capacity building, the programme seeks to create and strengthen national technical expertise on climate change adaptation and sustainable energy. It will also promote improved cost-effective and efficient energy systems to reduce fossil fuels dependency, and improvements in communities' adaptive capacity to cope with climate change.

Enhancing sustainable livelihoods is another key component of the programme. Support for government institutional efforts and empowering communities to increase their self-reliance and adaptive capacity are central to the programme. Both will be encouraged to adopt appropriate practices in agriculture and coastal fishery, by disseminating improved salt-water-resistant plant varieties, securing daily water supplies for communities and improving their access to energy, among other initiatives.

Drought threatens Southeast Asia

A longer-than-usual dry season is threatening to push up food prices and force down economic growth in several Southeast Asian countries including Malaysia, Indonesia, Singapore and Thailand, according to news agencies. Malaysia has begun rationing water in areas around the capital, while Singapore experienced a record 27 days without rain from mid January. Officials in Indonesia's Riau province declared a state of emergency because of a blanked of haze from forest fires in the region. Thailand reported that drought is affecting at least 20 provinces, some in the northeast and others in the south. Aside from haze caused by fires, Southeast Asia is affected by the Northeast Monsoon at this time of year, which brings in dry air from the South China Sea.

IRRI releases new flood-tolerant rice varieties

The International Rice Research Institute (IRRI) in the Philippines announced that it has released 44 new varieties of rice that should prove resistant to climate change. Rice is the staple grain and provider of livelihoods for about 3.5 billion people worldwide. IRRI said that the new varieties include nine varieties that can tolerate and grow in salt water and nine that can thrive during floods. Of the 44 new strains, 21 were released in the Philippines, six in Bangladesh, five in Myanmar, three in Nigeria, two in Tanzania, two in India and one each in Cambodia, Viet Nam, Indonesia, Mozambique and Rwanda. Among the varieties the Institute released during February was its long-awaited "3-in-1" strain that survive droughts, floods and saltiness.

Contact information

FAO Regional Office for Asia and the Pacific, Economic, Social and Policy Assistance Group (ESP)
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

Disclaimer and Acknowledgements

The Asia Pacific Food Price and Policy Monitor is prepared with information from official and non-official sources by FAO Regional Office for Asia and the Pacific. Conditions can change rapidly and information may not always represent the current food price situation as of the present date. As information is based on official and non-official sources, not all of them should be taken as official government views. The designations employed and the presentation of material in this report do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The support of FAO Country Offices and FAO's Food and Agriculture Policy Decision Analysis (FAPDA) are gratefully acknowledged for their contributions.

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

Hiroyuki Konuma
Assistant Director-General and Regional Representative for Asia and the Pacific