



ASIA PACIFIC FOOD PRICE AND POLICY MONITOR

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HIGHLIGHTS

- Food price inflation in the region increased to 4.5 percent in March from 4 percent in February but still weaker than general inflation, which slowed to 5.7 percent.
- FAO estimates China's 2013 aggregate cereal production was 547.4 million tonnes in 2013, 1.4 percent higher than the 2012 record crop, even with a 1 percent smaller rice harvest.
- In Indonesia, the price of rice has increased by 11.2 percent year-on-year despite record paddy production of 71 million tonnes in 2013.
- India will allocate US\$ 221 million in aid to farmers in Maharashtra and Madhya Pradesh where heavy rains and hailstorms damaged 3 million hectares of crops.
- Viet Nam cut its minimum export price for rice by 3 percent to US\$ 355 per tonne to increase its competitiveness with falling prices for Thai rice.
- Several provinces in Pakistan are facing the worst drought since 1998. About 1 million tonnes of wheat may be lost this year along with significant losses to cattle and sheep breeders.

REGIONAL OVERVIEW

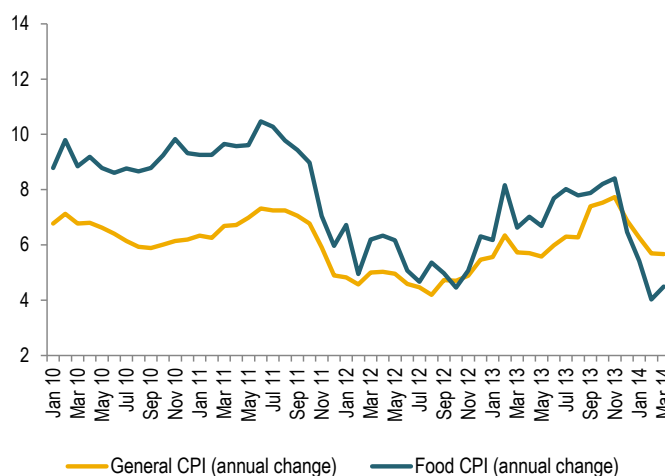
FOOD AND GENERAL INFLATION

The pace of inflation in the region continued to ease during March, rising by an estimated 5.7 percent. Inflation has now slowed for four consecutive months. Lower levels of food price inflation have helped bring down general inflation over that time, notwithstanding a relative increase in the price for non-food related items. Food price inflation has been weaker than general inflation since the turn of the year, despite accelerating to 4.5 percent in March compared to 4 percent in February.

In Pakistan, inflation rose by 8.5 percent, with higher costs for non-food related items such as electricity and health care contributing a full percentage point to the total. But an 8.8 percent increase in food prices was the biggest factor. Higher vegetable prices were one of the chief culprits, as tomato prices jumped by 53.3 percent and potatoes rose by 39.2 percent. Eggs were 15.3 percent more expensive than the previous month, while chicken prices were 6.1 percent higher. In the Philippines, general inflation decelerated to 3.9 percent in March from 4.1 percent in February. The slowdown was led by a decrease in non-food items such as housing, clothing, health, and transport costs.

Slower regional food price inflation was the result of lower prices in China, India, Sri Lanka and Indonesia. Food inflation in China eased during the first quarter of the year, rising by just 2.7 in February compared to one year ago. This easing was a carryover effect from the previous year when food price indices spiked by 3.2 percent year-on-year in February 2013, roughly 1 percent higher than the 2013 average. In India,

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 inflation continued to moderate as prices decreased for vegetables and related commodities. Stable was the word for Sri Lanka where overall food prices fell just 0.1 percent compared to a year ago. Vegetable prices, which peaked in the fourth quarter last year, continued to fall. In Indonesia, the food price index fell 0.4 percent from last month as prices for chicken, eggs, tomatoes and sugar all declined.

FOOD PRICES

International prices for wheat and maize continued to rebound in March from February, increasing 10.1 and 6.4 percent, respectively. International prices for rice (Thai white rice 100% grade B) continued to fall, decreasing 5.8 percent from the previous month and 27.6 percent from the previous year, as ample supplies filled the global market.

In real terms, the **regional rice price index** rose by 0.2 percent in February and 0.5 percent from the same period in the previous year. The month-on-month increase was supported primarily by higher prices in South Asia and India, which rose by 2.4 percent and 1.4 percent, respectively. The decline in the Southeast Asia index was caused by price decreases in Thailand and the Philippines. The price of Thai rice, in particular, has fallen significantly in domestic markets because of the increasing availability of rice from government stocks (see page 4).

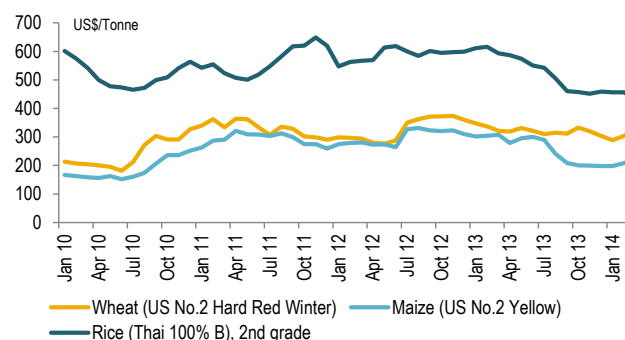
In nominal terms, the regional rice price index fell by 0.3 percent from the previous month, and increased 5.7 percent from the same period last year. The rise has been driven by higher prices in the South Asia sub region with contributions from both Sri Lanka and Pakistan.

In real terms, the **regional wheat price index** for March edged up by 0.3 percent from February. The impact of a 7 percent increase in wheat prices in South Asia was offset by slight declines in other sub regions. Climbing prices in South Asia have been attributed to market concerns about the possibility of an El Nino weather event developing later this year. El Nino tends to cause dry conditions and drought, driving down production. Many countries in South East Asia import wheat from South Asia. The potential for lower production in South Asia may affect domestic markets of these countries as well.

In nominal terms, the regional wheat price index fell 0.1 percent from the previous month, but increased 6.3 percent from the same period last year. All sub regions registered year-on-year increases. India's wheat prices moved up by 16.4 percent, Southeast Asia's by 11.2 percent, South Asia's by 5.2 percent, and East Asia's by just 2.5 percent. The rising price for wheat in both India and South Asia has been attributed to concerns over a possible El Nino weather event later this year. Additional price increases in Indonesia have also been linked to growing domestic consumption and the changing dietary preferences for wheat-based products.

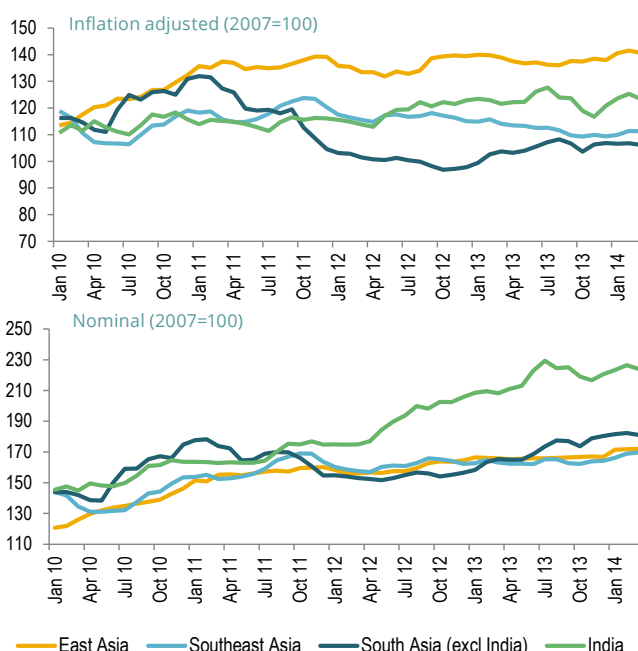
Note: The regional price indices are aggregated using weights defined by the national Food Balance Sheet (FAOSTAT). Weights are defined as the availability of rice and wheat for domestic consumption for each respective index. Sub-regional groupings in the rice index are Cambodia, Indonesia, Lao PDR,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

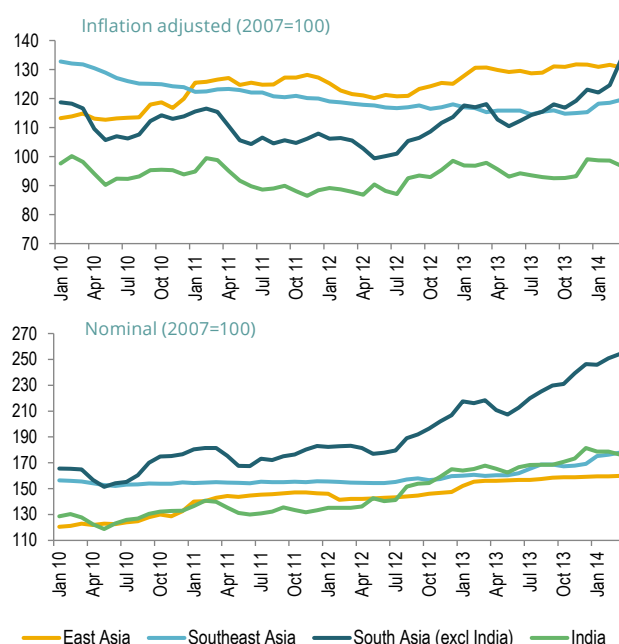


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **China** (Beijing markets), retail prices for rice and wheat flour declined slightly in March, falling a respective 0.2 and 0.4 percent from the previous month. On an annual basis, the price of rice was 0.7 percent lower than last year, while the price of wheat flour was 2.3 percent higher. FAO estimates China's 2013 aggregate cereal production at 547.4 million tonnes, 1.4 percent higher than the 2012 record crop, even with a 1 percent smaller rice harvest. In January, the government reaffirmed its goal of achieving self-sufficiency in grains, primarily wheat and rice. In this context, minimum purchase prices for rice were raised. Also, the government increased funding for agricultural subsidies, especially for grain-producing regions, and allocated an additional CNY 20 billion (US\$ 3.26 billion) for credit to farmers during the sowing season. China imported about 2.2 million tonnes of rice in calendar year 2013, down about 6 percent from about 2.35 million tons rice imported in calendar year 2012.

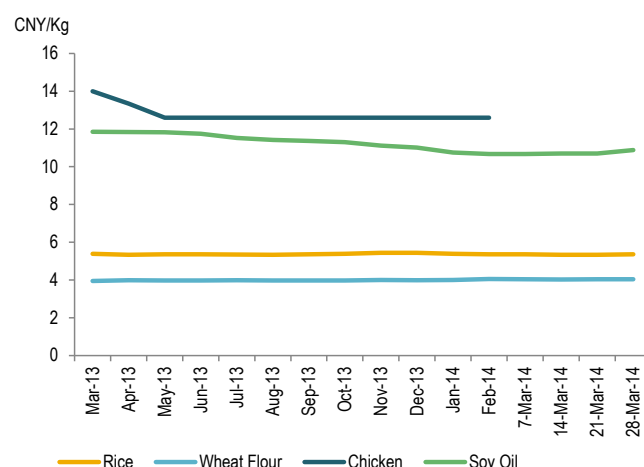
In March, the price of soy oil increased by 0.5 percent from February, rebounding slightly from a long decline that began in March 2013. This long-term downward trend is the result of weaker domestic demand coupled with greater availability of soy. According to the United States Department of Agriculture (USDA), future expansion in soybean production might be affected by low profits, yield limitations and recent reductions in subsidies.

In **Indonesia**, retail prices for grains such as rice and wheat have increased steadily over the past 12 months, with the price of wheat flour reaching a yearly high in March. On an annual basis, prices for medium rice and wheat flour increased 6.4 and 11.2 percent in March, respectively. Rice prices rose despite record paddy production in 2013, at about 71 million tonnes (2.6 percent higher than 2012) and favourable prospects for the 2014 main paddy season. Indonesia's National Statistics Agency announced that the country achieved self-sufficiency in rice in 2013, with domestic production matching the country's consumption of about 40 million tonnes on a milled basis.

Prices also rose for other key commodities such as local soybean and edible oils, which have climbed by 17.7 and 7.5 percent since the same time last year. The USDA reported that 98 percent of total soybean demand in Indonesia is for human consumption, as tempeh and tofu are primary protein sources for Indonesians. Small-scale tempeh and tofu producers are Indonesia's biggest soybean buyers, procuring 85 percent of domestic soybeans. Domestic production has been stagnant at around 600 000 tonnes since 2010, with consumption constantly increasing because of population growth.

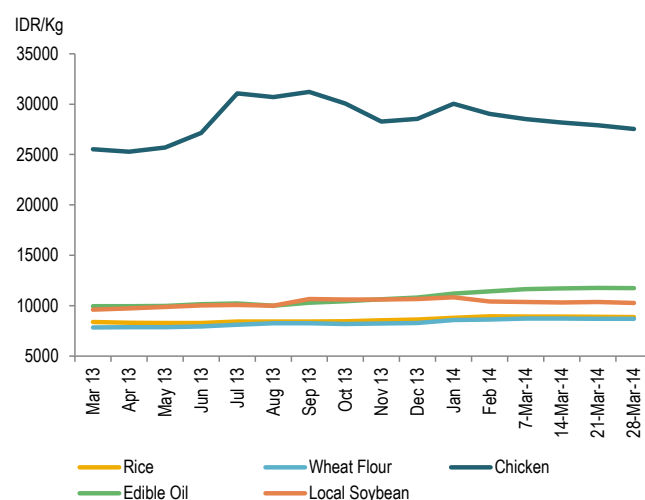
In **Myanmar**, retail prices for wheat and maize declined in March by 6.0 and 5.3 percent, respectively, from the previous month. Retail prices have fluctuated between MMK 425 and 465 for wheat (US\$ 0.44 and 0.48), and MMK 239 and 245 (about US\$ 0.25) for maize since October 2013. Rice prices have been rising, however, since they last bottomed out in January at MMK 327 (US\$ 0.34). In March, rice prices increased by 3.7 percent from the previous month, and were

China



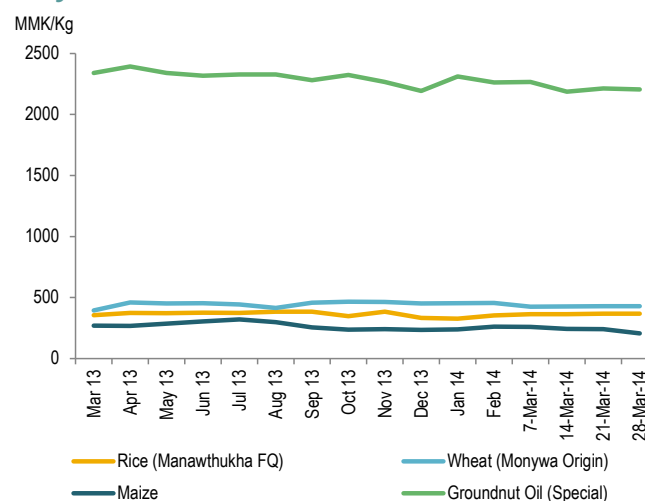
Source: Beijing Municipal Bureau of Grain, 2014

Indonesia



Source: Statistics Indonesia, 2014

Myanmar



Source: E-Trade Myanmar, 2014

3.8 percent higher than at the same time last year. FAO projects that Myanmar's total rice production will increase in 2014, after localized floods and insect infestations produced a below-average main season harvest in 2013. The Myanmar Rice Federation is working with the government to formulate a new trade policy that aims to boost both rice production and exports, and attract foreign investment in the rice sector.

Soybean and palm oil prices continued to increase in March, rising by 14.5 and 14.3 percent, respectively, compared to the previous year. Myanmar imports palm oil, mainly from Malaysia and Indonesia, because of limited domestic processing capacity. The country produced 550 000 tonnes of edible oils in 2012, while consumption reached 850 000 tonnes.

In the **Philippines**, retail prices for vegetables continued to decline in March on ample supplies after price spikes at the beginning of this year. On an annual basis, the retail price for tomatoes was 29.2 percent lower than at the same time last year, while prices for onions and potatoes were 12.5 and 9.5 percent higher, respectively.

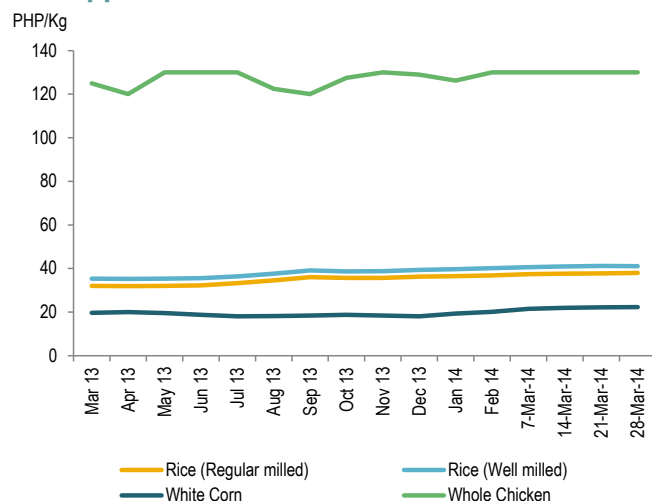
Retail prices for rice (regular and well milled) increased in March, moving up by 2.3 and 2.1 percent, respectively, from February, and by 17.9 and 16 percent compared to the same period last year. Higher costs for electricity and oil, and small drops in crop production because of natural disasters in 2013 were the cause. The deadline for achieving self-sufficiency in rice has now been extended to 2016. FAO estimated that the Philippines would need to import around 1.2 million tonnes of rice in 2014, and a tender to import 800 000 tonnes of 15% broken white rice opened on 15 April.

Prices for rice in **Thailand** continued their downward trend, following releases of stocks. The wholesale price of rice (25% broken) fell in March by 8.8 percent, and was 28.1 percent lower than at the same time last year.

In March, the caretaker government has approved the sale of 730 000 tonnes of rice from reserves to exporters, and conducted tenders for 500 000 tonnes of white and fragrant rice through the Agricultural Futures Exchange of Thailand. In addition, the Ministry of Commerce has launched a campaign "Thai Rice Helps Thai Farmers" to quickly sell about 2 000 tonnes of rice to hospitals, government offices and private organizations. The government is attempting to raise funds for farmers who have not yet been paid for their paddy under its rice pledging programme for the 2013/14 season.

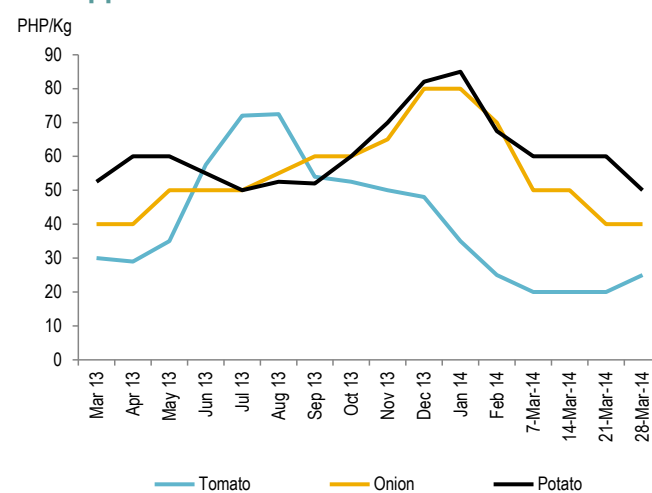
On average, meat products were more expensive than at the same time last year. Prices for whole chicken and pork tenderloin were 10.4 and 20.4 percent higher, respectively, than at the same time in 2013. To cope with this increase, the Pig Board recently decided to freeze the farm price of live swine at THB 76-78 per kilo (US\$ 2.34-2.41) until the end of April, while the Ministry of Commerce is also cooperating with vendors by offering pork at only THB 115 (US\$ 3.55) per kilo, about 10 to 20 percent lower than the market price in the provinces.

Philippines



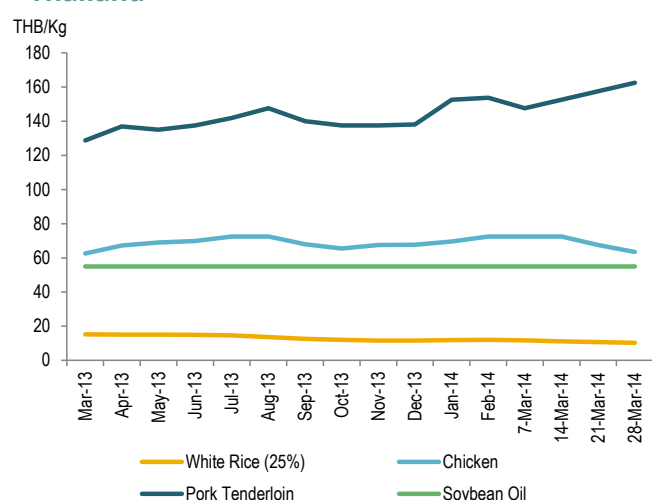
Source: Bureau of Agricultural Statistics, Department of Agriculture, Philippines, 2014

Philippines



Source: Bureau of Agricultural Statistics, Department of Agriculture, Philippines, 2014

Thailand



Source: Department of Internal Trade and Ministry of Commerce, 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.

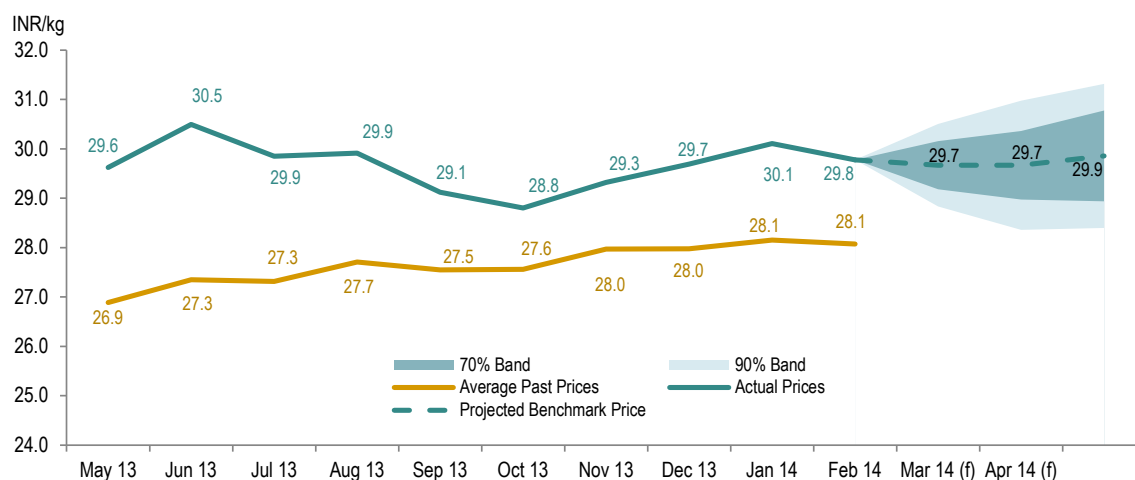
PRICE FORECAST

India (average of four markets, rice retail)

Retail prices for rice in India were INR 29.8 (US\$ 0.49) per kg in March, a decrease of 1.1 percent from the previous month and an increase of 7.6 percent from March last year. The benchmark future price for April is forecast to be INR 29.7 (US\$ 0.49) per kg (within a 70% benchmark band of INR 29.2 – 30.2 [US\$ 0.48 – 0.50] per kg) a slight decrease of 0.4

percent from March 2014, and an increase of 5.7 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 28.9 – 30.8 (US\$ 0.47 – 0.51) per kg.

Retail price for rice



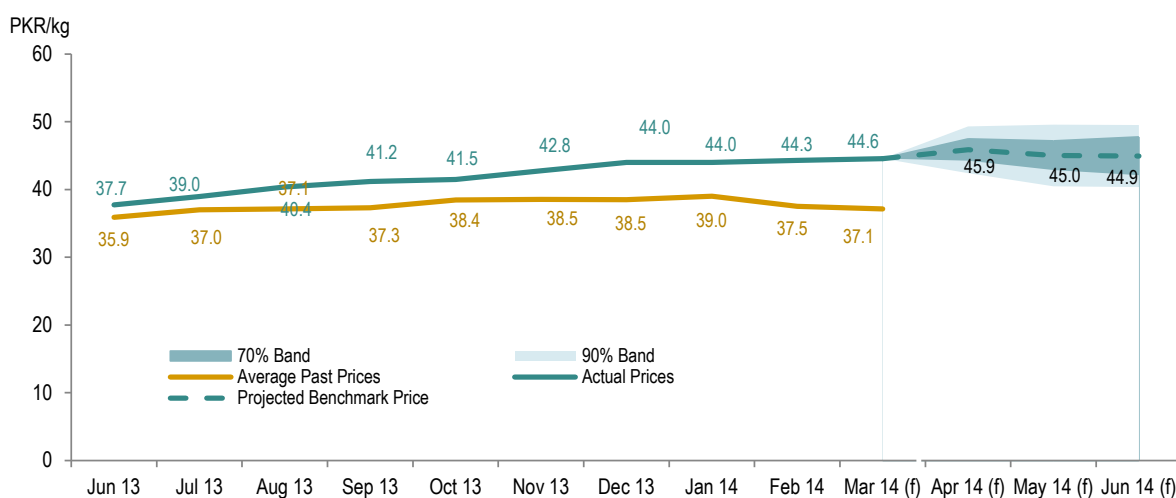
Source: FAO GIEWS and FAO staff calculations Note: Four markets include Chennai, Mumbai, New Delhi and Patna

Pakistan (average of five markets, retail wheat flour)

Retail prices for wheat flour in Pakistan were PKR 44.6 (US\$ 0.45) per kg in March, an increase of 0.6 percent from the previous month and an increase of 21.2 percent from March last year. The benchmark future price for April is forecast to be PKR 45.9 (US\$ 0.46) per kg (within a 70% benchmark band of PKR 44.3 – 47.5 [US\$ 0.44 – 0.48] per kg) an increase

of 2.9 percent from March, and an overall increase of 29.2 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 42.1 – 47.8 (US\$ 0.42 – 0.48) 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

The Sugar Ministry of **Fiji** has formulated a strategic plan to improve the country's sugar sector. Among its objectives are increasing crop production, and milling and marketing capacities, while reducing harvesting and transportation costs and improving the system of sugarcane payments.

India announced support of INR 13 billion (US\$ 213 million) for farmers in Maharashtra and Madhya Pradesh where storms damaged crops. Officials estimate that as much as 3 million hectares of crops were damaged.

The **Philippines** has passed legislation to promote urban farming. It directs the Department of Agriculture (DA) and the Department of Science and Technology (DOST) to campaign for urban agriculture and vertical farming in cities to improve food security and help regenerate ecosystems in the country.

Sri Lanka's Minister of Agriculture has proposed utilizing 35 percent of paddy land for supplementary food crops such as big onions, red onions, potatoes, chilies and maize during the 2014 dry season, which runs from May to August. To encourage farmers, the government will provide fertilizer subsidies, high-yield seeds varieties, and loans at concessional interest rates. The Agriculture Ministry is also piloting the Commercial Farmer's Programme in the Anuradhapura District, with the aim of developing farmers' skills towards more commercial-oriented agriculture.

Market policies

On 21 March 2014, the **Bangladesh** government announced it will procure 1 million tonnes of milled rice and 150 000 tonnes of paddy from the boro crop (harvested in May) in 2014/15 (July-June), up 12 percent on the target set in the previous year. Procurements are expected to take place from May to August, with the purchase price for milled rice increasing by 7 percent to BDT 31 per kg (US\$ 399 per tonne), and the price for paddy set at BDT 20 per kg (US\$ 257 per tonne), up 8 percent from the 2013/14 season.

Pakistan's Economic Coordination Committee set the wheat procurement target at 8 million tonnes for the 2013-14 season. About 1.6 million tonnes of wheat will be purchased by the Pakistan Agriculture Storage and Services Corporation (PASSCO), while the Punjab government will procure 4.5 million tonnes, Sindh 1.3 million, Khyber Pakhtunkhwa 0.45 million and Balochistan 0.15 million tonnes.

The Government of **Viet Nam** has approved a plan to buy 1 million tonnes of rice (milled equivalent) from farmers to avoid a drop in price as the main rice crop harvest peaks in March and April with an estimated 20 million tonnes of paddy coming onto the market. The State Bank of Vietnam (SBV) has set aside about VND 8 trillion (US\$ 376 million) for loans to private companies to buy paddy through the end of April.

Trade-oriented policies

On 10 March, **Cambodia** announced the establishment of the Cambodia Rice Federation (CRF), in order to better coordinate the work of its rice producers and exporters associations with government and international buyers. The goal of the CRF is to boost trade and facilitate investment in the domestic rice industry. The country has set a target of exporting 1 million tonnes of rice annually by 2015.

Pakistan's Economic Coordination Committee of the Cabinet (ECC) has approved the export of 250 000 tonnes of sugar, as stocks are approaching a record high. Unofficial sources have forecast sugar production at 5.9 million tonnes in the 2013/14 season, with stocks already at 1.6 million tonnes. The ECC also gave a green light for the import of 25 000 tonnes of urea fertilizer, while maintaining the fixed retail price of PKR 1 786 per bag (US\$ 17.8) in the local markets. The Ministry of National Food Security had recommended additional imports of urea to meet requirements during the 2014 kharif (April to September) season.

Viet Nam's Food Authority (VFA) has lowered the minimum export price (MEP) for low-grade rice for the second time in two months. The most recent cut was by 3 percent, to US\$ 355 per tonne, in an effort to increase competitiveness amid ample global supplies. MEPs have usually been put in place ahead of government-to-government deals. In fact, the Philippines' National Food Authority announced a tender to import 800 000 tonnes of 15 percent broken white rice, and Viet Nam, which has set a rice export target of 7 million tonnes in 2014, is aiming to win it, despite higher competition from cheaper Thai rice.

Sources of policy information: International Grains Council (Bangladesh, Cambodia, India); Ministry of Agriculture (China); Fijian Government (Fiji); Associated Press of Pakistan and Black Sea Grain News (Pakistan); Department of Agriculture (Philippines); PresInform (Sri Lanka); National News Bureau (Thailand); International Grains Council and Oryza (Viet Nam). 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

Agreement signed for Coral Triangle Secretariat

The Coral Triangle Initiative for Coral Reefs, Fisheries, and Food Security (CTI-CFF) will establish a permanent secretariat in Manado, Indonesia, by virtue of a regional agreement signed last month by various stakeholders including governments in the Philippines and Indonesia. The Coral Triangle is one of the most biologically diverse and ecologically rich regions in

the world, bounded by the countries of Indonesia, Malaysia, Papua New Guinea, the Philippines, Timor-Leste, and the Solomon Islands. It is home to 600 corals or 76 percent of the world's known coral species and has the highest diversity of reef fish with 2 500 or 37 percent of the planet's reef fish species concentrated in the area, according to the Government of the Philippines. It is also the spawning and

nursery ground for four principle market tuna species that populate the Western and Central Pacific Ocean (WCPO) – yellowfin, albacore, bigeye, and skipjack – which supplies close to 50 percent of the global tuna catch.

The CTI-CFF Regional Secretariat will be in charge of the technical and administrative management of the area. CTI-CFF is a multilateral partnership designed to safeguard the region's extraordinary marine and coastal biological resources for future generations by promoting sustainable fisheries and livelihood, and climate change resilience and adaptation measures. The permanent regional secretariat will play a central role in putting in place effective climate change adaptation measures, especially for coastal communities, to improve their resilience. According to the Secretary of Environment and Natural Resources, who signed the agreement on behalf of the Philippines, the impacts of climate change are very real threats to the region and this agreement rolls out the full operation of the regional secretariat in May in time for the 5th CTI-CFF Ministerial Meeting in Manado, Indonesia on 16 May 2014 during the World Conference on Coral Reefs.

Drought and famine in Pakistan

Several provinces in Pakistan are facing the worst drought since 1998, causing cattle to die, crops to fail and people to go hungry. According to the Integrated Regional Information Network (IRIN), a news agency focusing on humanitarian issues, people in Pakistan's desert regions of Cholistan in the southern Punjab and Tharparkar in Sindh are facing a grave crisis. Their livestock are dying, their children are malnourished, and when families move to areas not affected

by the drought they are often received with hostility. Aid workers said that starvation during droughts is usually not severe enough to kill, but many people, especially children, fall sick or die from drinking water from contaminated wells. More than 90 percent of Cholistan's 1100 ponds and 155 underground storage tanks have gone dry. As a result almost 90 percent of Cholistan's 190 000 people have left their homes and almost every family had been affected.

The World Food Programme is increasing its ongoing nutrition support to cover the entire Tharparkar District, to meet the immediate needs of children and pregnant and lactating women. The government of Sindh requested additional support. The WFP Country Director reported that over 18000 children with moderate or acute malnutrition and nearly 16000 malnourished pregnant and lactating women will benefit from the increased assistance. Pregnant and lactating mothers depend on milk and milk products from their animals for food, and so the death of cattle and sheep contribute to acute malnutrition among mothers and their young children. Nearly 200 000 cattle have died in Tharparkar district.

One farmers' association said the drought will cause at least 1 million tonnes of wheat to be lost this year. Pakistan produced 24 million tonnes of wheat in 2013. The lack of rain has affected wheat crops even in irrigated areas, as water levels in rivers and reservoirs have fallen. Punjab province produces 71 percent of Pakistan's wheat. Some aid workers said that failure to accurately monitor rainfall patterns in 2013 was a contributing factor to the disaster, as the information could have been used to forecast that a drought was developing.

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

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