



ASIA PACIFIC FOOD PRICE AND POLICY MONITOR

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HIGHLIGHTS

- Regional general inflation was 6.1 percent in May and food price inflation 5 percent, ending five consecutive months in which the pace of inflation slowed.
- Regional rice price index increased by 5.3 percent in nominal terms as prices continued to rise in South Asia (including India), East Asia and South East Asia.
- Wheat price indices in South Asia fell by 6.8 percent driven by an 8.3 percent drop in Pakistan.
- India expects to set a new record for foodgrains production at 264.4 million tonnes, with rice production estimated at 106.3 million tonnes, and wheat at 95.9 million tonnes.
- With water shortages affecting rice crops, Sri Lanka is providing subsidies to farmers to cultivate other crops.
- Indonesia is revising its rice subsidies programme to improve targeting and delivery of subsidized rice to over 15 million households.
- WEF and ASEAN launch Grow Asia Partnership to strengthen food security in ten Southeast Asian countries.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

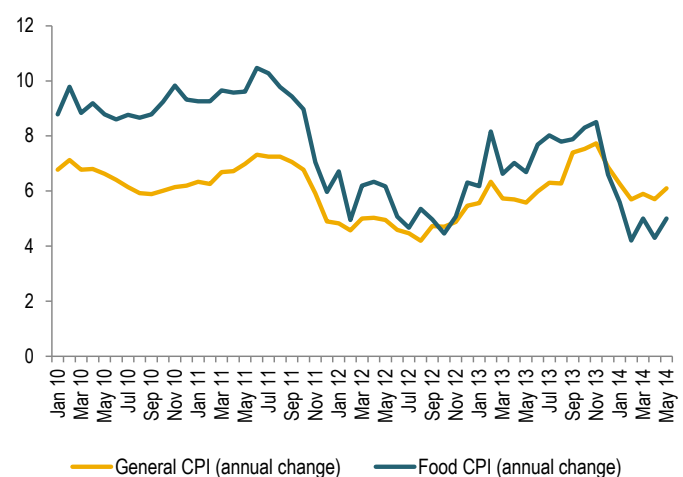
After five consecutive months during which the pace of general inflation slowed, inflation around the region began climbing at a faster rate in May, rising by an estimated 6.1 percent compared to 5.1 percent in April. In a similar pattern, food price inflation also quickened, increasing by 5 percent in May against a 4.3 percent rise in April.

Although Indonesia registered an increase in food price inflation at 7.2 percent, that was actually a slight decline of 0.2 percent from its April increase. Nonetheless, chicken, tomato, red onion and cooking oil were all more expensive than during the previous month. Pakistan also experienced an easing in food price inflation, registering a 6.8 increase in May, down by 1.3 percent compared to April. The price slow down was led by tomatoes, which fell 49.6 percent; onions, down by 9.6 percent; wheat, lower by 8.6 percent and eggs, down 8.3 percent.

The rate of food price inflation rose, however, in China, the Philippines, Thailand and Sri Lanka. In China, a higher-than-average increase in food prices of 4.1 percent was driven by price rises for fresh fruit, up 20 percent; milk and dairy, which rose by 10.3 percent; eggs, up 17.6 percent and meat and poultry, up 3.2 percent. In Pakistan, prices of pork increased as a result of lowered supply to local markets. Vegetable prices also increased mainly because of extreme heat causing high spoilage in markets.

Rising food inflation in Thailand was caused by higher prices for vegetables and pork. The increase in the price

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.

of vegetables was a result of higher temperatures and dry weather conditions that damaged crops. Pork prices rose as a result of higher demand from schools as students returned to start a new semester. In Sri Lanka, tighter supplies of fresh fish and vegetables pushed prices for those commodities higher, but they were partly offset by lower prices for chicken, eggs and coconut.

FOOD PRICES

Maize prices fell by 1.6 percent in May from the previous month on ample supplies in global markets. Maize was 25.8 percent cheaper than one year ago. International prices for wheat increased by 3.7 percent in May compared to the previous month, the fifth consecutive month wheat prices have increased. The price of rice was unchanged from last month.

Rice prices in the region were stable in May. In real terms, the regional **rice price index** decreased by just 0.4 percent in April, and was only 0.2 percent higher than one year ago. Regional rice price movements were affected by conflicting trends in India and other South Asian countries. Prices rose by 1.2 percent in India while fell by 1.5 percent in other countries in South Asia. In Southeast Asia, a 20 percent annual decline in real rice prices in Thailand, which accounts for 5.8 percent of rice production in Asia, drove a decline of 2.6 percent across the sub-region.

In nominal terms, the regional rice price index increased by 5.3 percent as annual increases in the price of rice were more pronounced around the region. The rise was led by the South Asia index, which increased by 8.9 percent, and the India index, which grew by 6.5 percent. Nominal rice price rises were weaker in East Asia and Southeast Asia, increasing 4.2 and 3.5 percent, respectively.

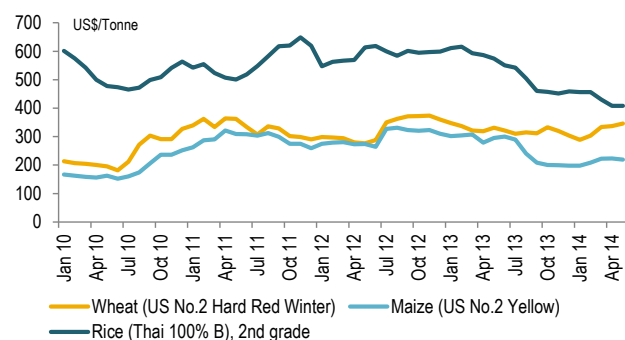
In May, **wheat price index** in the region continued to moderate and stabilize, falling 1.4 percent from the previous month with the exception of the South Asia sub-region where wheat prices fell by 6.8 percent. Pakistan was the main contributor to this decline, as its wheat prices fell 8.3 percent from the previous month (see Country Section).

In nominal terms, the regional wheat price index fell 1.3 percent from the previous month, but increased 5.4 percent from the same period in 2013. Annual increases in the nominal price of wheat were sharpest in Indonesia, Pakistan, and India growing 10.3 percent, 6.8 percent, and 8.3 percent, respectively.

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.

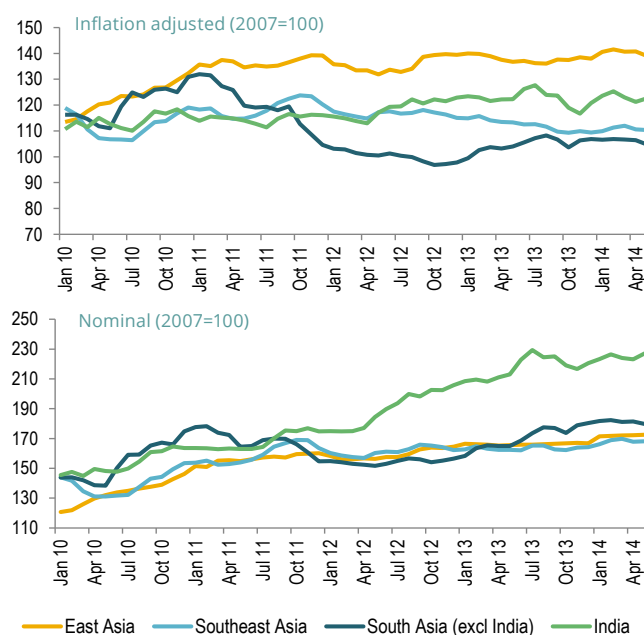
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia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

Global benchmark prices

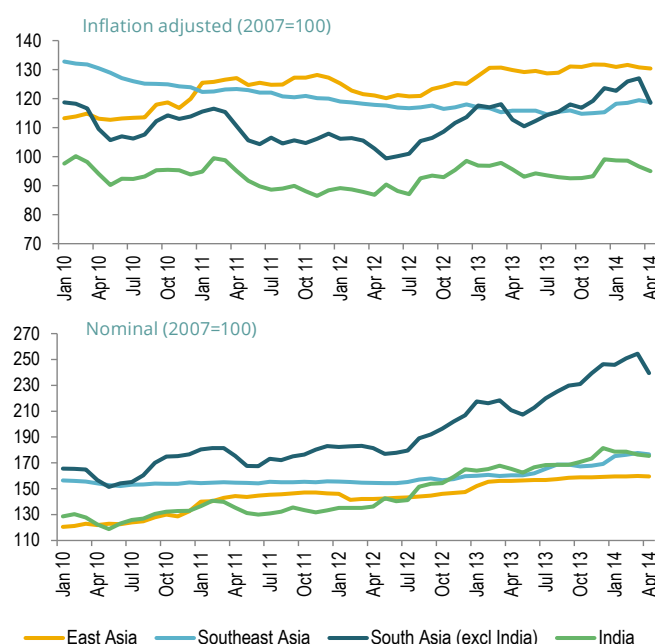


Source: FAO, International commodity prices

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 markets), the price of major grain commodities remained unchanged from April. The lone exception was wheat flour, which increased slightly by 1.2 percent. While grain prices were stable for the month, prices were higher than at the same time last year, with wheat up by 21.7 percent, wheat flour 2.8 percent more expensive, and rice (low quality) 6.4 percent higher. The country mainly produces wheat, and the 2014 harvest is forecast at 5.1 million tonnes, roughly the same as the record harvest of 2013. Despite that, Afghanistan still imports wheat flour (mainly from Pakistan and Kazakhstan) and rice (from Pakistan) because of inadequate domestic milling capacity for both commodities. Local rice is often milled by hand or through traditional methods, and is therefore not competitive with imported rice, because of high labour costs and low quality. The United States Department of Agriculture (USDA) forecasts Afghanistan rice production at 520 000 tonnes in MY 2014-15, which would be 2 percent higher than the previous year. Milled rice consumption, however, is expected to be 690 000 tonnes, up about 3 percent from last year.

The price of cooking oil also remained unchanged from the previous month, but was 5.8 percent lower than at the same time last year.

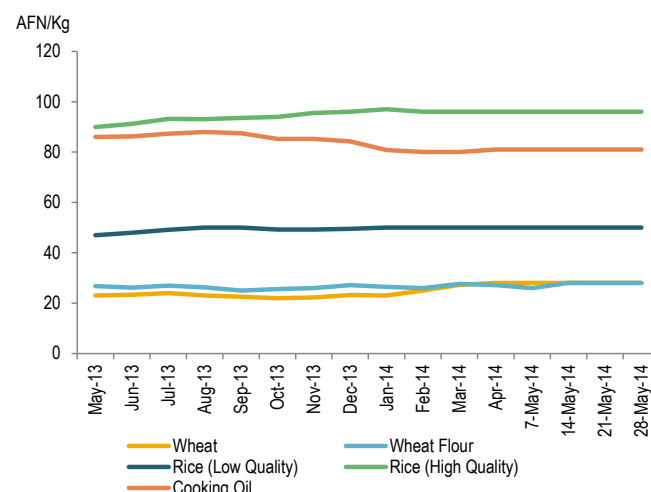
In **Cambodia**, prices for rice (mixed, Phak Khney, and Neangminh varieties) in May were unchanged from the previous month, sustaining a flat trend since November 2013. Rice prices were lower compared to last year, with the Phak Khney variety down by 6.7 percent, Neangminh cheaper by 15.4 percent, and mixed rice falling by 10 percent. The lower prices reflect abundant supplies in the domestic market following the record 2013 production, officially estimated at 9.4 million tonnes. Higher production was the result of a 3 percent expansion in plantings, higher yields, favourable weather conditions and adequate supplies of fertilizers and seeds for farmers. Cambodian rice exports (mainly to the EU, Malaysia and China) are forecast to increase slightly to 1.2 million tonnes, including the informal paddy trade along borders with Thailand and Viet Nam.

Prices for chicken fell in May for the first time since the fourth quarter of last year when prices began their rise. As of May, chicken prices have increased 13.6 percent from the same time last year, providing good incentives for poultry breeders, especially those in the southeastern provinces who have reportedly made profits and increased sales of chicken for export. On the other hand, the higher prices may pose a serious problem for consumers, especially the poorest.

In **India**, prices for major grains – rice, wheat, and wheat flour (atta) – in Delhi markets were unchanged from April. Compared to one year ago, rice prices were 6.5 percent lower, while the price of wheat and atta were 3.8 and 5 percent higher, despite ample domestic stocks. This year-on-year increase is likely related to the higher minimum support price paid to wheat farmers for the 2014/15 marketing year.

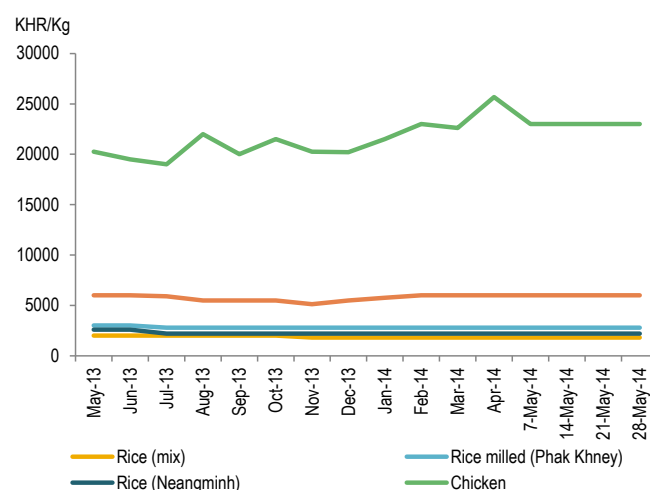
Official sources report that India expects to set a new record for foodgrains production in the 2013-14 season with output

Afghanistan



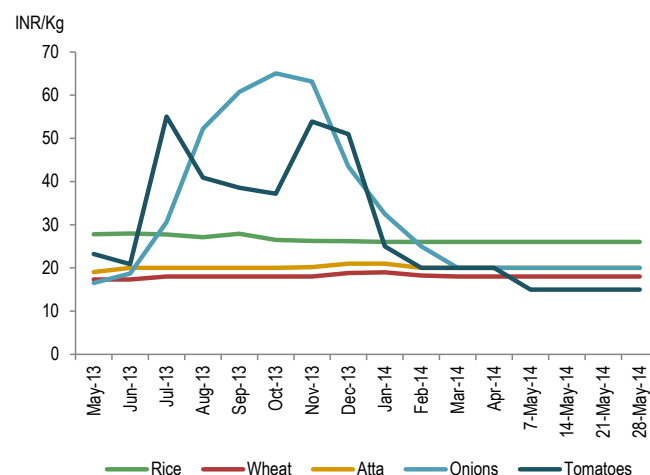
Source: World Food Programme, 2014

Cambodia



Source: Cambodia, Ministry of Agriculture Forestry Fisheries, 2014

India



Source: Ministry of Consumer, Food, and Public Distribution, 2014

forecast at 264.4 million tonnes, compared to 257.1 million tonnes last season. Rice production is estimated to be 106.3 million tonnes, and wheat at 95.9 million tonnes. Record production has also been achieved for maize at 24.2 million tonnes, and pulses at 19.6 million tonnes. However, El Nino-related dry weather, which may occur over the coming month, could negatively impact the upcoming main rice crop and potentially push prices. El Nino is a weather-warming phenomenon that increases the temperature over the Pacific Ocean.

Prices for onions and tomatoes, meanwhile, continued to fall in June, following a spike in prices late last year. Tomatoes are now well below last year's prices, falling to INR 15 (\$US 0.25) in the last week of May, or 35 percent lower than last year. Onion prices are, however, still 20.9 percent higher than last year though they have been falling steadily since October 2013.

In **Pakistan**, prices for wheat and wheat flour continued to fall sharply in June. Wheat prices dropped by 8.3 percent, and wheat flour prices fell by 5.4 percent. The decreases followed a downward trend that began in March, with wheat down 16.2 percent and wheat flour 11.7 percent lower since that time. Prices began falling following optimistic projections for the 2014 winter wheat harvest, anticipated at a record level of 25.4 million tonnes, up 5 percent from last year. The price of wheat and wheat flour, however, were still 10.7 and 10.3 percent higher than one year earlier. Wheat imports are estimated to have increased to 900 000 tonnes this year, following lower-than-usual outputs in 2012 and 2013.

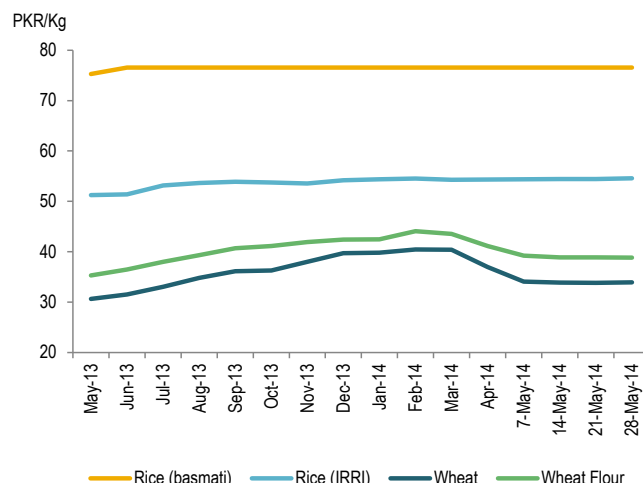
The price of rice, however, remained stable, with basmati varieties unchanged and IRRI varieties increasing just by 0.2 percent from the previous month. The total area planted with rice has been forecast to increase to 2.8 million hectares this year. Exports are also expected to increase by around 6 percent to 3.3 million tonnes, consolidating the country's position as one of the world's major rice exporters.

The government has announced that it will provide subsidies for daily use items during Ramadan (28 June - 27 July) to curb the impact of inflationary pressure that typically marks the holiday period.

In **Samoa**, average retail prices for banana, taro palagi, breadfruit and Chinese cabbage weakened in April as retail prices for these commodities fell 12.8 percent, 29.4 percent, 36.6 percent and 33.8 percent, respectively, from the previous month. The lower prices in local markets were a result of softer local demand for these commodities as well as decreased market supply for many commodities such as banana (37 percent), ta'amu (42 percent), and yams (16 percent).

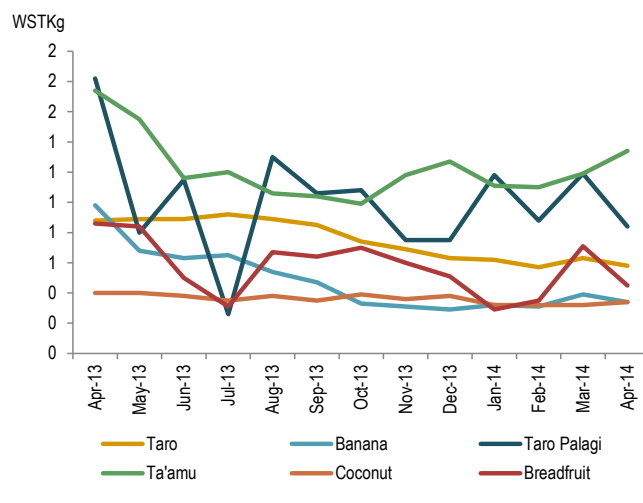
Supplies of other commodities, such as taro palagi, breadfruit, and various vegetables, significantly increased – breadfruit expanding by almost five fold. The number of sellers in local markets has also increased since one year ago with many sellers shifting to vegetable products over traditional root commodities such as taro and ta'amu.

Pakistan



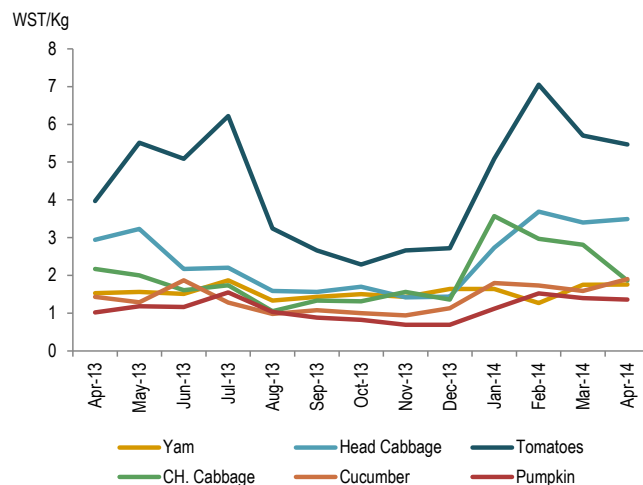
Source: Pakistan Bureau of Statistics, 2014

Samoa



Source: Samoa Bureau of Statistics, 2014

Samoa



Source: Samoa Bureau of Statistics, 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.

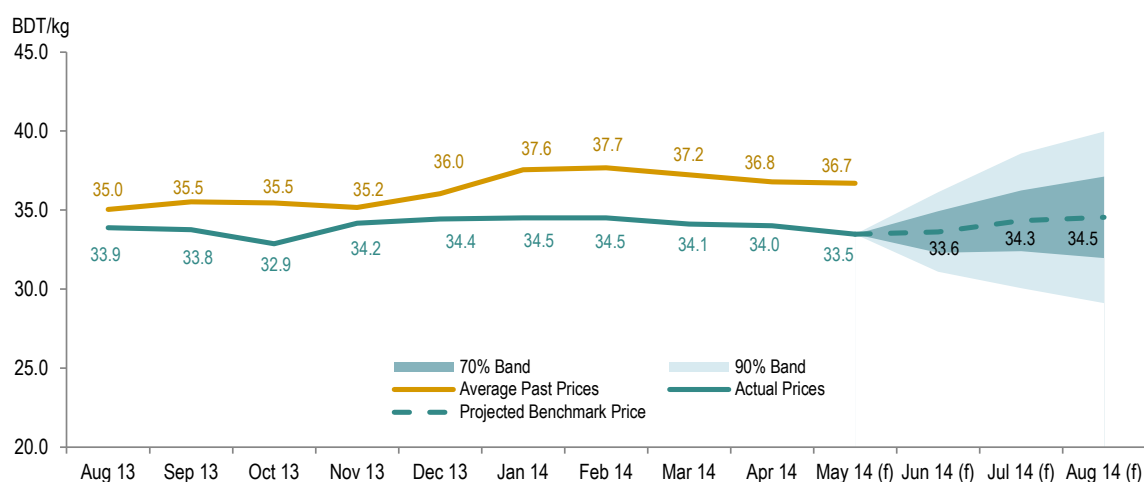
PRICE FORECAST

Bangladesh (Dhaka, retail coarse rice)

Retail prices for coarse rice in Bangladesh were BDT 33.5 (US\$ 0.43) per kg in May, a decrease of 1.6 percent from the previous month and an increase of 8 percent from May last year. The benchmark future price for June is forecast to be BDT 33.6 (US\$ 0.43) per kg (within a 70% benchmark band of BDT 32.3 – 34.9 [US\$ 0.42 – 0.45] per kg) a slight increase

of 0.4 percent from May 2014, and an increase of 6.4 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 BDT 32 – 34.5 (US\$ 0.41 – 0.44) per kg.

Retail price for rice



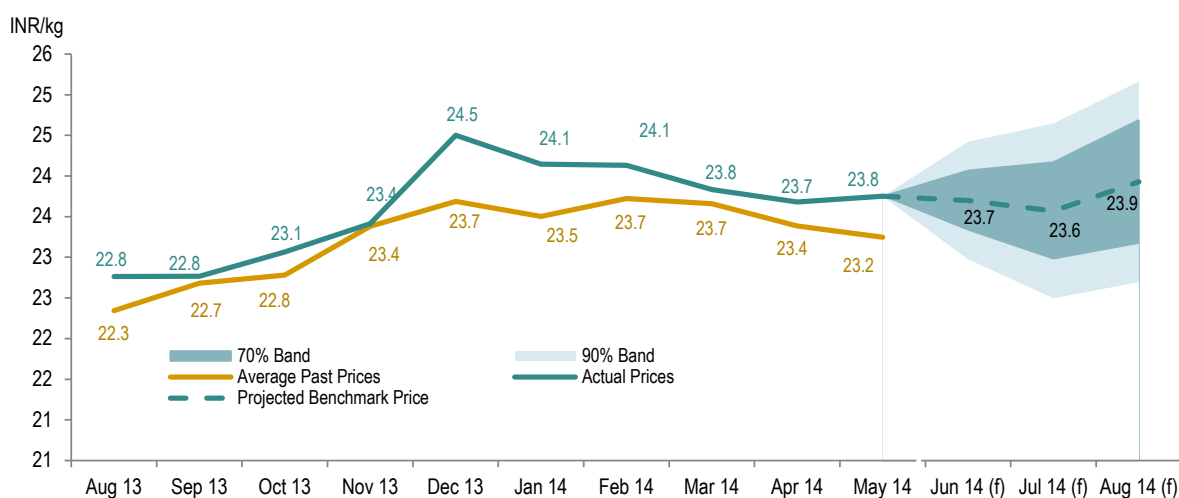
Source: FAO GIEWS and FAO staff calculations.

India (average of four markets, retail wheat)

Retail prices for wheat in India were INR 23.8 (US\$ 0.40) per kg in May, an increase of 0.3 percent from the previous month and an increase of 8.3 percent from May last year. The benchmark future price for June is forecast to be INR 23.7 (US\$ 0.40) per kg (within a 70% benchmark band of INR 23.3 – 24.1 [US\$ 0.39 – 0.41] per kg) a slight decrease of 0.2

percent from May 2014, and an increase of 5.3 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 23.2 – 24.7 (US\$ 0.39 – 0.42) per kg.

Retail price for wheat



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

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

China has increased the minimum paddy purchase prices for early-indica rice to CNY 2 700 per tonne (US\$ 433), up 2.3 percent from CNY 2 640 per tonne in previous year. Higher support prices are intended to increase production and farmers' incomes.

The **Philippines** Crop Insurance Corporation recently piloted the Weather Index-Based Crop Insurance programme in Dumangas to help farmers recover from crop loss caused by abnormal rain. The insurance provides payment if rainfalls are too low or if they significantly exceed the average. This new insurance package, designed and developed since 2012, is at its first implementation phase and set to expand in 2015.

With water shortages affecting rice crops, the Government of **Sri Lanka** is providing LKR 300 million (US\$ 2.3 million) in subsidies for cultivating other crops that require less water, in particular peanuts, green gram, big onions, sesame, soya beans and chilli. Drought caused a 15 percent drop in this year's main (Maha) rice crop to 2.2 million tonnes, and smaller secondary (Yala) production is expected to raise domestic prices.

The Government of **Viet Nam**, which exported more than 6.6 million tonnes of rice in 2013, has announced a plan to switch up to 112 000 ha of rice fields in the Mekong Delta (3 percent of sowings) to other crops, including maize, wheat and soybeans, by 2015. The move is intended to diversify production and reduce food imports. In 2013, about 87 300 ha were switched for the same purpose. The Ministry of Agriculture and Rural Development has also approved an agricultural land use plan for the Mekong Delta in adaptation to climate change. The plan aims to promote advantages of the sub-region, and develop added value and sustainability by promoting crops resilient to extreme weather events.

Trade and market policies

The National Development and Reform Commission of **China** announced the stockpiling of early-season rice and wheat if market prices fall below the set floor price. The government also continued purchasing frozen pork from the market to stabilize prices and reduce farmers' income losses. A similar measure in March proved to be effective in boosting pork prices, ending a five-month decline.

In the framework of the strategic plan formulated in April to improve the performance of its sugar sector, **Fiji** will upgrade access roads to help sugarcane farmers supply cane to mills in a more efficient manner. The budgetary allocation for this intervention is US\$ 2 million in 2014, and work has already started with the construction of a US\$ 300 000 low water bridge in Sigatoka.

Lao PDR plans to build three organic produce markets in Vientiane to support increasing organic vegetable harvests. The markets are expected to help ensure safety standards.

Myanmar will construct parboiling rice mills in several parts of the country to increase milling capacity and rice exports. The facilities, expected to be completed before the monsoon harvest, will have a combined capacity between 200 000 and 300 000 tonnes of parboiled rice.

Pakistan is setting up quarantine facilities and launching food safety inspections to improve mango farms hygiene standards and grant quality certificates to farmers in order to facilitate their access to international markets and boost mango exports. Pakistan ranks among the three largest exporters of mango in the world, exporting mainly to Europe and the Middle East.

The Minister of Co-operatives and Internal Trade of **Sri Lanka** will systematically purchase big onions from local farmers to support farmers and make the country self-sufficient in big onion. The Ministry of Agriculture has taken measures to expand big onion cultivation, targeting an expansion of over 2 000 hectares to harvest about 50 000 tonnes, or three months of domestic consumption.

Thailand held two auctions in mid-May to sell 670 000 tonnes of rice from state reserves. The Ministry of Commerce has set a goal of releasing one million tonnes of rice via Agriculture Futures Exchange of Thailand by June. According to some media sources, the National Council for Peace and Order (NCPO) has announced it will seek loans to expedite payments of about THB 90 billion (US\$ 2.8 million) to rice farmers who had pledged their rice under the now expired pledging scheme.

On 28 May, **Viet Nam** announced that it is considering the removal of minimum export prices (MEP) for rice to allow state-owned and private exporters to set their own prices, rather than following floor prices fixed by the Vietnam Food Association. Rice exports fell 26 percent during January-May because of increased competition from Thailand and India.

Consumer oriented policies

According to media sources, the Government of **Indonesia** has further detailed its plan to revise the "Rice for Poor" programme to make it more transparent and sustainable. The government intends to issue a Social Protection Card (KPS) to all eligible households (about 15.5 million) to get rice at a subsidized price of IDR 1 600 (US\$ 0.14) per kilo. The government will update its database of households' income information regularly, through village council meetings. New households whose earnings are below 25 percent of average earnings in the country will receive a KPS, while those that exceed that limit will be excluded.

The Ministry of Commerce of **Thailand** is collaborating with Big C Super Center, the leading local supermarket chain, to ensure low-priced food items for low-income people affected by inflation of food items such as rice, pork, and cooking gas. The Ministry will peg the price of 205 commodities until 31 October. Entrepreneurs affected by rising production costs can request permission to increase prices.

Sources of policy information: Ministry of Agriculture and IGC (China); Fijian Government (Fiji) USDA Gain Report (Indonesia); Lao News Agency (Lao PDR); Oryza (Myanmar); Business Standard and Business Recorder (Pakistan); Department of Agriculture (Philippines); PresInform (Sri Lanka); National News Bureau and Thai Rice Exporters Association (Thailand); Ministry of Agriculture and Rural Development and IGC (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

WEF and ASEAN launch Grow Asia Partnership

With agriculture facing a range of significant challenges in the region, the World Economic Forum (WEF) and the Association of Southeast Asian Nations (ASEAN) have joined together to launch the Grow Asia Partnership to support efforts to strengthen food security among the 10 countries of Southeast Asia. Grow Asia will serve as a multi-stakeholder partnership platform to catalyze action that contributes to food security and sustainable, inclusive agricultural development in support of national and regional priorities in the ASEAN region. The initiative was developed based on recommendations from ASEAN Ministers of Agriculture and Forestry and global partners in business and civil society.

A high-level, multi-stakeholder meeting entitled the “Grow Asia Agriculture Forum” was held in Manila on 21 May preceding the WEF East Asia meeting attended by 150 leaders from ASEAN governments, the private sector, international organizations, civil society, research institutes and farmers’ associations. They explored opportunities for investment and partnership for agriculture development in ASEAN; shared best practices and innovation; and shaped strategic priorities. The partnership will draw from the experience, models and networks of the WEF’s New Vision for Agriculture (NVA) initiative. Topics discussed at the Forum included raising farm productivity, applying innovative financing models, increasing efficiency in food value chains, developing climate-smart agriculture, strengthening the enabling environment, and leveraging information and communication technology.

Grow Asia will build on existing partnership activities catalyzed by the NVA initiative including the Vietnam Public-Private Task Force on Sustainable Agriculture, the Partnership

for Indonesia’s Sustainable Agriculture, and the Myanmar Agriculture Network. All of these focus on improving value chains, profitability and quality in environmentally sustainable ways.

Feed the Future progress report released

More than 12.5 million children in 19 countries, including several in Asia, were shielded from hunger and malnutrition last year through the Feed the Future initiative by the United States. The Initiative helped nearly 7 million farmers and food producers use new technologies and management practices on more than 4 million hectares of land in 2013 alone, according to its progress report released in May.

The Initiative was launched as an offshoot of the L’Aquila Food Security Initiative at the G8 Summit of 2009 following a global crisis of high food prices. There, global leaders agreed to reverse a decades-long decline in investment in agriculture and take a comprehensive approach to ensuring food security worldwide. President Barack Obama pledged US\$ 3.5 billion in funding, but additional US\$ 18.5 billion were leveraged from other donors making the initiative a multi-lateral effort.

The Feed the Future initiative identifies six focus areas including agricultural sector growth, improved nutrition, gender integration and research and capacity building. Among countries benefitting from the Initiative were Bangladesh, Cambodia and Nepal. In Bangladesh, 3.3 million farmers received assistance that saw their rice yields increase by 20 percent, while some farmers in Cambodia saw their revenues rise by as much as 147 percent through crop diversification. In Nepal, the Initiative trained over 285 000 people on child and health and nutrition practices.

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

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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