



ASIA PACIFIC FOOD PRICE AND POLICY MONITOR

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HIGHLIGHTS

- Regional inflation moderated to 5.3 percent in July, down from 5.9 percent in June, as food price inflation fell to 4 percent from 4.8 percent.
- The FAO cereals price index fell by 5.5 percent in July compared to June, reflecting a 9.2 percent and a 5.8 percent decline in maize and wheat prices.
- Fruit and vegetable prices rose sharply in South Asia as heavy rains in the region and plant disease outbreaks in India affected major producing areas.
- Indonesia's rice imports are forecast to increase sharply in 2014 in line with a deteriorating production outlook.
- China has agreed to buy 100 000 tonnes of rice from Cambodia, up from the 28 300 tonnes imported in 2013.
- India has allocated INR 1.15 trillion (US\$ 19.1 billion) for food subsidies in its 2014/15 budget to ensure cereals price subsidies to vulnerable population under the National Food Security Act.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

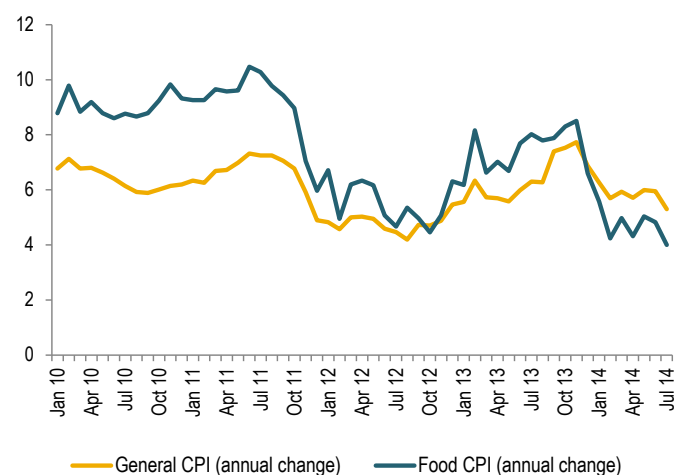
Price rises continued to ease in July, as the regional Consumer Price Index declined to 5.3 percent, down from 5.9 percent in June and 6.0 percent in May. Falling food prices, particularly for fruits and vegetables, played a role in lower general price inflation in the region. Food price inflation fell to a 4 percent rate in July from 4.8 percent in June, and 5 percent in May.

In China, food prices edged downward by just 0.1 percent from the previous month. Prices for eggs and fresh vegetables increased 4.2 percent and 2.3 percent, respectively, while prices for fresh fruit and fish fell 6.3 percent and 0.7 percent, respectively. Also Thailand's food price inflation decreased in July, by a slight 0.2 percent from June with rice prices declined by 0.1 percent, and vegetables and fruits fell by 3.1 percent. Seasonal harvests under favourable weather lowered prices for fruits while higher-than-average production decreased the prices for glutinous rice, meat, and eggs.

On the other hand, in Indonesia, food price inflation rose by 1.9 percent from the previous month following increases in the price of several food commodities including fresh fish, rice, beef, chicken eggs, and fresh vegetables. Similarly in Pakistan, food prices increased by 2.7 percent from June. The rise was led by an increase in prices for several fruits and vegetables including tomatoes, up 43.7 percent, onions, up 18.2 percent, potatoes 16.4 percent, fresh fruits 15.2 percent, and fresh vegetables up 11 percent. The price of eggs also increased by 5.7 percent from the previous month.

The Philippines experienced an advance in general price inflation of 4.9 percent in July, the highest rate since November 2011. Food prices are 8.7 percent higher than

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.

one year ago, with prices rising on a range of items including rice, fruits, and vegetables because of supply shortages in the local markets resulting from weather-related production loss. Also, Sri Lanka's food price inflation accelerated to 7.3 percent in July following price increases for rice, fresh fish, fruits such as tomatoes, which rose 59.1 percent, and vegetables such as snake gourd, up 35.3 percent, and carrot, up 24.6 percent.

FOOD PRICES

Cereals prices fell by 5.5 percent in July compared to June, according to the latest FAO Global Food Price Index. The drop in cereals prices was led by a fall in price for maize, which was down 9.2 percent, and wheat, which was 5.3 percent lower. The decline in cereals prices reflected favourable production prospects and abundant exportable supplies in the 2014/15 marketing season. By contrast, global rice prices increased 4.8 percent on strong demand by importers and Thailand's continued suspension of sales from public reserves.

Regionally, rice prices continued to rise in July following last month's rebound in Thai rice prices. In real terms, the **regional rice price index** increased slightly by 0.5 percent in July, but was 0.8 percent lower than at the same time last year. The largest price movements were in Southeast Asia where the real price of rice was 1.4 percent higher than last month, but slightly lower than price levels recorded last year. Real rice prices were also up in South Asia, increasing 1 percent from June.

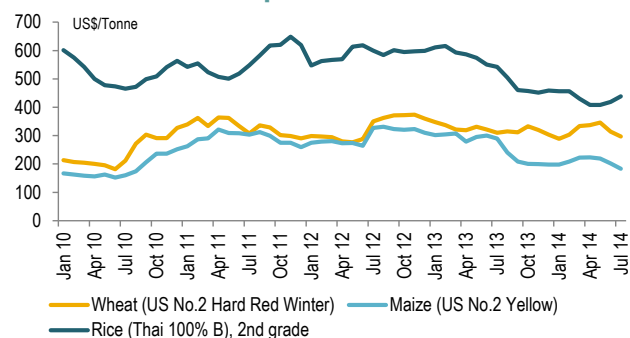
In nominal terms, the regional rice price index was 0.9 percent higher than the previous month, and overall 2.8 percent higher than the previous year. The increase in nominal rice prices around the region was also driven by increases in Southeast Asia, where prices moved up by 1.6 percent from June and were 4.5 percent higher than one year ago.

The **regional wheat price index** continued to fall, sliding down by 1 percent from June. The increase in wheat price indices in South Asia and Southeast Asia by 1 percent and 0.6 percent, respectively, was offset by the 1.4 and 1.3 percent decrease in the East Asia and India indices. The rebound in wheat prices in South Asia was chiefly the result of higher prices in Pakistan. Compared to the same time last year, wheat prices are 4.7 percent higher in Southeast Asia and 4.3 percent lower in the South Asia subregion.

In nominal terms, the regional wheat price index was unchanged from June, but was 2.3 percent higher compared to the same period in 2013. Annual increases were most pronounced in Southeast Asia where the price of wheat was 8.6 percent higher than last year. Year on year, prices also rose by 1.6 percent in India, 1.6 percent in South Asia, and 2.9 percent in East Asia.

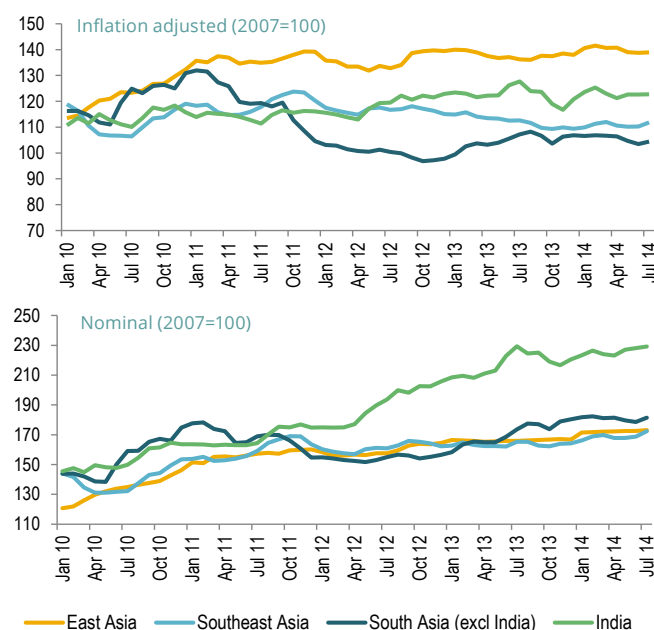
Note: The regional price indices are aggregated using weights defined by the national Food Balance Sheet (FAOSTAT). Weights are defined as the availability of rice and wheat for domestic consumption for each respective index. Sub-regional groupings in the rice index are Cambodia, Indonesia, Lao PDR,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

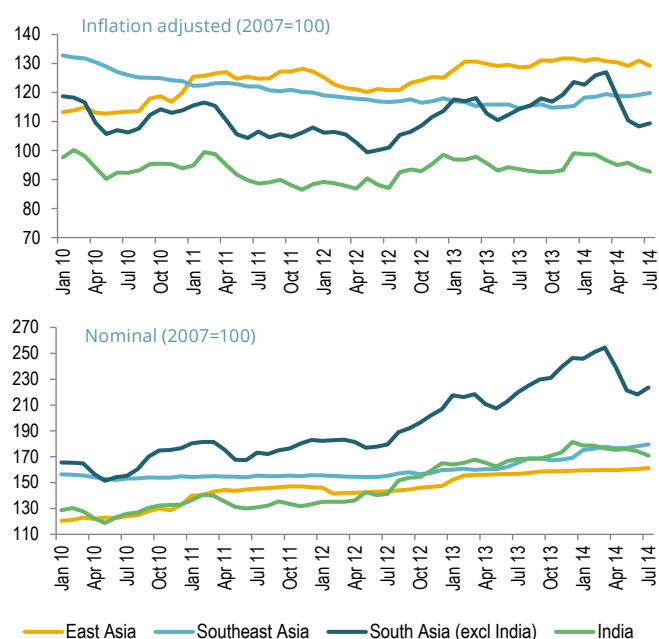


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **Afghanistan**, retail prices for wheat and wheat flour in Kabul markets fell by 7.4 percent and 3.5 percent, respectively, from the previous month on seasonal harvests. FAO is forecasting an above-average wheat harvest of 5.1 million tonnes for 2014, on favourable weather, and improved seeds availability and seeds subsidies. Prices for wheat commodities across the country were on average 4.3 percent lower than last month, but were higher than the previous year, with wheat up 4.1 percent and wheat flour up 2.6 percent. Depreciation of the Afghani amplified price increases as Afghanistan imports wheat flour.

Retail prices for rice were nearly unchanged from the previous month, but were higher compared to one year ago. Prices for low quality rice increased by 1.8 percent, and high quality by 3.6 percent year-on-year. Paddy production has not met rising domestic demand, and so Afghanistan increasingly relies on imports mainly from Pakistan.

In **India** (Delhi Markets), prices for vegetables and fruits spiked in July with onions rising 56.3 percent and tomatoes increasing by 100 percent from June. Plant diseases halved the output in the major producing region of Maharashtra, and heavy rains disrupted supply chains in the north.

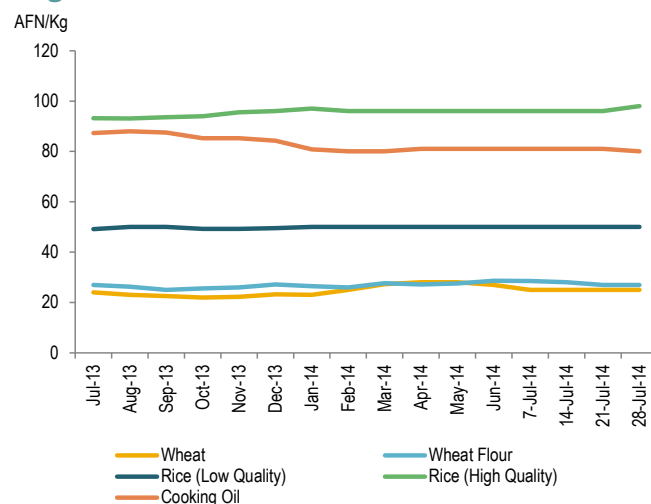
The government has taken steps to contain prices in essential commodities, including eliminating import duties on wheat, onion and pulses; imposing stock limits and Minimum Export Prices (MEP) for potatoes and onions; allowing free movement of fruits and vegetables, and releasing an additional five million tonnes of rice and 10 million tonnes of wheat to poor families.

Rice prices increased by 3.9 percent, wheat fell by 2.9 percent, and wheat flour (atta) remained unchanged from June. Below average monsoon rains – an effect of El Niño – have delayed the planting of the 2014 main rice and maize crops. FAO has tentatively forecast 2014 aggregate rice production at 157.5 million tonnes, slightly below the 2013 record output. India is expected to remain the world's top rice exporter with shipments of 10 million tonnes.

In **Indonesia**, retail prices for grains moved up marginally with medium rice up 0.6 percent and wheat flour rising by 1 percent since the previous month. Prices have been steadily rising since May. On an annual basis, medium rice prices rose 5 percent despite near record-level output, while wheat flour was 8.2 percent higher. To prevent price increases during the month-long holiday of Ramadan, which began in late June, state logistics agency, Bulog, released medium quality rice at below market prices.

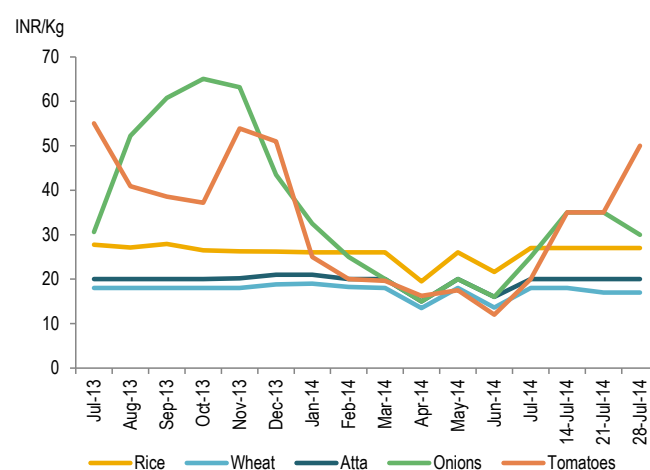
Indonesia is a major importer of cereals, purchasing about 10 million tonnes annually. Wheat and maize imports are forecast to be close to record levels this year at about 7.2 million and 2.9 million tonnes, respectively. Official sources estimate 2014 paddy production will fall 2 percent because of floods, pests and disease. Bulog's domestic procurement was below the 60 percent target set for July. Bulog has agreed to buy 50 000 tonnes of rice from Viet Nam and is expected to import more rice to maintain domestic stocks

Afghanistan



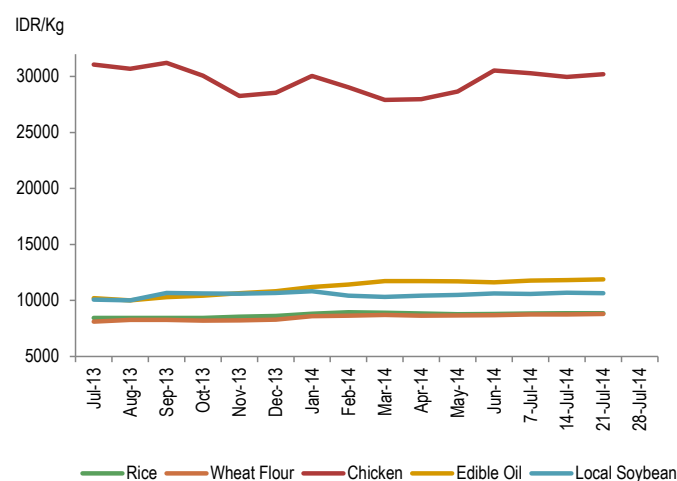
Source: World Food Programme, 2014

India



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

Indonesia



Source: Ministry of Trade (Indonesia), 2014

at a government mandated 2 million tonnes. In line with the deteriorating production outlook, and despite the self-sufficiency policy adopted by the government, rice imports are expected to increase significantly in 2014 and reach 1.2 million tonnes (both private and public), up from an estimated 500 000 tonnes in 2013.

Retail chicken prices were 1.1 percent lower compared to last month, and 2.9 percent lower than last year.

Prices for edible oils rose by 15.9 percent. Local soybeans were up 5.7 percent year on year, but rose marginally month on month. Indonesian soybean imports have reached a five-year high at 1.37 million tonnes during October 2013–April 2014 because of the removal of soybean import barriers in September 2013 and a decline in global soybean prices.

In **Myanmar**, retail prices for rice rose 3.1 percent and maize increased by 3.4 percent in July from June. The price of rice has increased by 21.3 percent since last December. FAO has tentatively forecast a 4 percent increase in aggregate rice production to 29 million tonnes this year. The World Bank reports Myanmar is unlikely to reach its target of exporting two million tonnes of rice this year because of poor product quality at the farm gate and outdated processing infrastructure. China, a top importer of rice from Myanmar, wants a sanitary and phytosanitary agreement on rice standards between the two countries, which could sustain Myanmar exports and help formalize cross-border trade. An estimated 747 000 tonnes of Myanmar rice is reportedly traded through informal channels.

The price of maize has steadily increased during 2014, but prices are still 18.5 percent lower than last year, reflecting an expected record crop of 1.8 million tonnes. Local wheat production does not meet domestic demand, and imports have risen over time. Retail prices for wheat rebounded in June, but were 0.9 percent lower than last year.

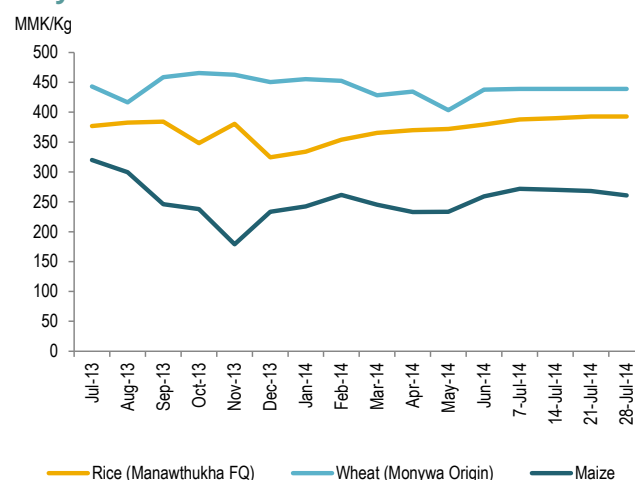
Prices for oils also increased in July, with groundnut oil up 1.9 percent and palm oil up 1.5 percent. However, they were 3.4 percent and 2.9 percent lower than last year, respectively.

In **Viet Nam** the price of rice (Hanoi markets) was up 4.4 percent from the previous month, but almost 10.7 percent lower than prices one year ago. The increase in the price of rice is the first increase this year, since January when prices were at a seasonal high.

On 28 July, the Viet Nam Food Association increased the MEP for 25% broken white rice from US\$ 375 to US\$ 410 per tonne. Higher export demand from Asian countries, in response to relatively low export prices is likely to boost exports up to 7 million tonnes, 5 percent above last year. FAO is forecasting aggregate rice production this year at a record high of 44.5 million tonnes.

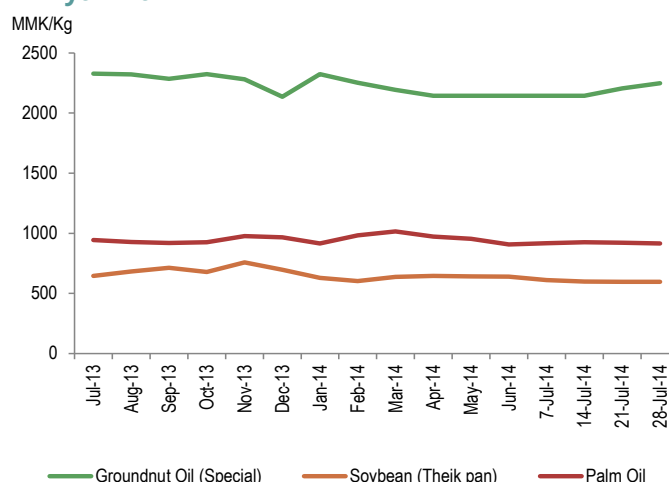
The price of pork was also up 10.5 percent from the previous month, but 6 percent lower than the previous year. Pig production increased 0.3 percent year on year, with more favorable pig prices and fewer outbreaks of porcine reproductive and respiratory syndrome (PRRS), also known as blue ear disease.

Myanmar



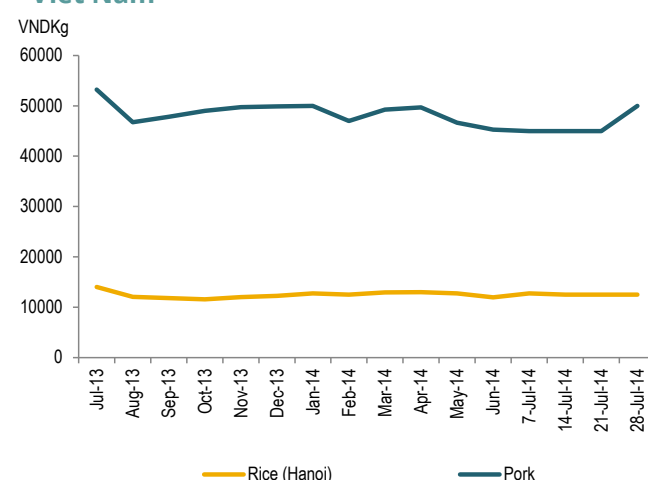
Source: E-Trade Myanmar, 2014

Myanmar



Source: E-Trade Myanmar, 2014

Viet Nam



Source: Ministry of Agriculture and Rural Development (Viet Nam), 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.

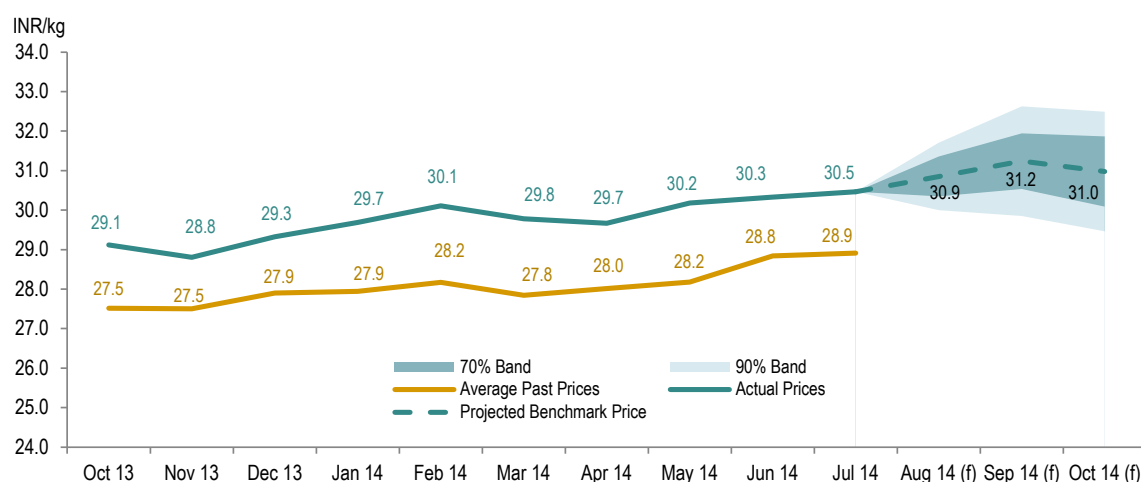
PRICE FORECAST

India (average of four markets, rice retail)

Retail prices for rice in India were INR 30.5 (US\$ 0.51) per kg in July, an increase of 0.4 percent from the previous month and a decrease of 0.1 percent from June last year. The benchmark future price for August is forecast to be INR 30.9 (US\$ 0.51) per kg (within a 70% benchmark band of INR 30.3 – 31.4 [US\$ 0.50 – 0.52] per kg) a slight increase of 1.3

percent from July 2014, and a increase of 3.4 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 30.1 – 31.9 (US\$ 0.50 – 0.53) per kg.

Retail price for rice



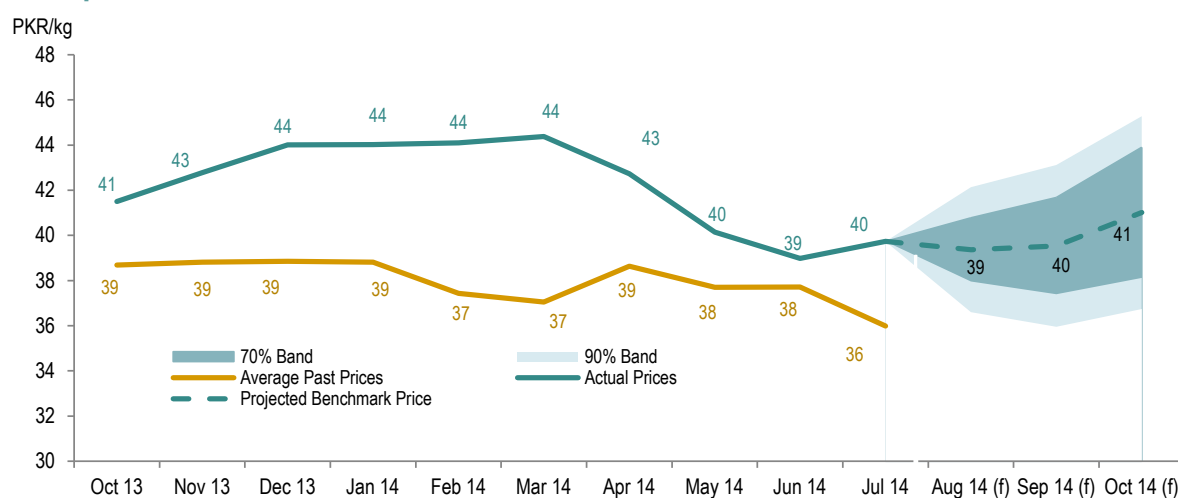
Source: FAO GIEWS and FAO staff calculations. Note: Four markets include Chennai, Mumbai, New Delhi and Patna.

Pakistan (average of five markets, wheat flour retail)

Retail prices for wheat flour in Pakistan were PKR 40 (US\$ 0.41) per kg in July, an increase of 1.9 percent from the previous month and an increase of 2 percent from July last year. The benchmark future price for August is forecast to be PKR 39 (US\$ 0.40) per kg (within a 70% benchmark band of PKR 38 – 41 [US\$ 0.38 – 0.42] per kg) a slight decrease of 0.9

percent from July 2014, and a decrease of 2.5 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 38 – 44 (US\$ 0.38 – 0.45) 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 **Fiji** Sugar Corporation will provide start-up packages to attract interest in sugar farming. Although Fiji harvests about 4 million tonnes of cane per season, the government considers this amount to be far from its potential output as a producer. The package includes a house, equipment and land leased through the iTaukei Land Trust Board.

India has established the National Fisheries Development Board to supervise fisheries activities undertaken by different ministries, and coordinate with State Governments. Specific objectives of the Board are improving production processing, storage and marketing; achieving sustainable management and conservation of natural aquatic resources including fish stocks; and providing modern infrastructure and innovative technologies, including biotechnology for optimizing productivity to increase production.

Sri Lanka has increased its allocation for agricultural loans to LKR 4 billion (US\$ 30.7 million), with special focus on the problems of drought-stricken farmers.

Trade and market policies

The Food Corporation of **Bhutan** (FCB) has decided to buy rice from farmers at BTN 30 (US\$ 0.50) per kilo to ensure their income. It has also constructed storehouses for paddy, and deployed trucks to collect vegetables from villages across the country to help farmers deliver their goods to markets.

China has signed an agreement to import 100 000 tonnes of rice from Cambodia from August 2014 to April 2015. China is the fifth largest buyer of Cambodian rice, importing over 28 300 tonnes last year. From January to July 2014, of the 200 000 tonnes of rice exported by Cambodia, 7 700 tonnes went to China.

To augment domestic stocks, the **Philippines** National Food Authority (NFA) will open a new tender for 500 000 tonnes of 25% broken white rice to be held on 27 August. This tender will take total NFA imports in 2014 to 1.3 million tonnes.

For FY 2014-15, the **Indian** government allocated INR 1.8 billion (US\$ 300 million) under the National Mission on Food Processing (NMFP) to various States and Union Territories for assisting private entrepreneurs who set up food-processing units under the Scheme of Technology Upgradation/ Establishment/ Modernization of Food Processing Industries of the NMFP.

To stabilize prices, **Sri Lanka** reduced import tariffs for some commodities, including unprocessed Mysore dhal lowered from LKR 5 to 3 per kilo (US\$ 0.04 to 0.02), Vatana dhal from LKR 22 to 15 per kilo (US\$ 0.17 to 0.12), green gram from LKR 102 to 70 per kilo (US\$ 0.78 to 0.54), and cowpea from LKR 100 to 70 (US\$ 0.77 to 0.54). The import tariff for unprocessed chickpeas will be reduced from LKR 12 to 7 per kilo (US\$ 0.09 to 0.05) while the tariff for processed chickpeas will be lessened from LKR 15 to 10 per kilo (US\$ 0.11 to 0.08). An additional 50 000 tonnes of rice will be imported from India following a prolonged drought in the north-central and eastern regions.

In **Thailand**, the National Council for Peace and Order (NCPO) will no longer purchase rice directly from farmers, but will provide loans to millers to buy and store rice. The Department of Internal Trade plans to stabilize the 2014 main paddy crop price at THB 8 500 per tonnes (US\$ 264.6), much lower than the THB 15 000 (US\$ 467.1) per tonne ensured during the 2013/2014 main crop season (October-February) under the now expired rice pledging price. The Ministry of Commerce has decided to resume rice sales from government reserves in August, after conducting a thorough check of the volume and quality of stocks. It aims to sell between 3 to 4 million tonnes of rice from state warehouses during the next six months.

The Ministry of Science and Technology of **Viet Nam** will increase the application of post-harvest technology in agricultural production in order to boost the competitiveness of agricultural products in global markets. The pilot project is focused on exporting surimi, a blended seafood product, to markets such as Japan and the Republic of Korea at a price of US\$ 1 750 per tonne.

Consumer oriented policies

India has allocated INR 1.15 trillion (US\$ 19.1 billion) for food subsidies in its 2014/15 budget to ensure wheat and rice price subsidies to the country's most vulnerable populations. The allocation includes a provision of INR 885 billion (US\$ 14.7 billion) for implementation of the National Food Security Act (NFSA) and INR 45 billion (US\$ 478 million) for subsidizing sugar. Under the NFSA each eligible person can purchase 5 kilos of cereals per month at INR 3, 2 and 1 per kilo (US\$ 0.05, 0.03, 0.02) of rice, wheat and millet, respectively.

OTHER UPDATES

India-ASEAN expected to expand Free Trade Agreement

India and the ten-country Association of Southeast Asian Nations (ASEAN) are expected to expand their free trade by signing a long-delayed free trade agreement (FTA) in services and investments when their Trade Ministers meet near the end of August. India and ASEAN signed an FTA in goods in August 2009, which came into effect in 2010. Since then, bilateral trade between India and ASEAN has grown by 4.6 percent from US\$ 68.4 billion in 2011 to US\$ 71.6 billion in

2012. Both sides have set a target of US\$ 100 billion in trade by 2015.

At the 12th India-ASEAN meeting, held on 9 August in Nay Pyi Taw, the capital of Myanmar, ASEAN officials spoke of the need to strengthen ASEAN-India cooperation in agriculture and energy to ensure long-term food security and energy security. An FTA on services and investment could result in greater investments in agriculture between India and ASEAN. Increasing development and sharing of

technology would also benefit both sectors, and officials said ASEAN and India are building cooperation in the field of science and technology by utilizing the ASEAN India Science and Technology Development Fund.

Stressing the need for better connectivity, ASEAN officials said the Master Plan for ASEAN Connectivity (MPAC) should be implemented, as that would enhance regional integration and better linkages between member countries and India. The MPAC calls for construction of a number of highways and developing waterways for greater connectivity. It includes the ASEAN India Air Transport Agreement and the India Myanmar Thailand Trilateral Highway Project and its extension to Lao PDR and Cambodia, and the development of the new highway also linking Vietnam.

ASEAN is slated to launch its own free trade area, the ASEAN Economic Community (AEC) in late 2015. It will produce a market of roughly 600 million people.

Bangladesh and Cambodia reach pact on agriculture

The Governments of Bangladesh and Cambodia have signed several agreements including one on scientific and technical cooperation in the field of agriculture, during a visit by Cambodian Prime Minister Hun Sen to Bangladesh in June. Bangladesh is seeking permission to lease land in Cambodia on a long-term basis for contract farming and has expressed interest in reaching an agreement to import rice

from Cambodia on a regular basis. Both countries agreed to cooperate in agricultural research and share results. Bangladesh has also offered scholarships to students from Cambodia studying at Bangladesh Agricultural University.

China repeated its cautious approach to genetically modified crops

The Government of the People's Republic of China repeated its stance against commercial production or sale of genetically modified (GM) grains and rice following the alleged media exposure of GM rice on sale at a supermarket in central China in July.

China is taking an "active and cautious" policy towards GM crops. It has allowed several GM crops to be grown, including cotton, peppers, tomatoes and papayas, and has authorized imports of GM soybeans and maize. However, it does not allow commercial production or sale of GM grains and rice, although the authorities have approved the experimental planting of two strains of pest-resistant GM rice. The safety certificates issued in 2009 for this experimental planting expire this year, and no timetable for commercial production has been set.

The government released a statement that it has ordered all provincial agricultural authorities to strengthen oversight to prevent the illegal production and sale of GM seeds.

Sources of policy information: Kuensel Online (Bhutan), Cambodia Herald (Cambodia, Bangladesh), Ministry of Agriculture and Oryza (China), Fijian Government (Fiji), Press Information Bureau (India), USDA (Indonesia), Oryza and World Bank (Myanmar), IGC (Philippines), PresInform (Sri Lanka), IGC (Thailand), IGC and VietnamNet (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>.

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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