



HIGHLIGHTS

- General inflation in the region slowed to 3.9 percent from 5.1 percent, while food price inflation persisted at 3.9 percent in September.
- Rice prices in the Philippines were 15.4 percent higher than last year for regular-milled varieties, and 15.9 percent higher for well-milled varieties.
- Rice prices in Sri Lanka are 35.8 percent higher than one year ago, with drought expected to reduce rice output by 22 percent compared to last year.
- Bangladesh will export 50 000 tonnes of rice to drought-stricken Sri Lanka, its largest export of non-fragrant rice since independence in 1971.
- South Korea increased its subsidy to rice farmers by 10 percent to boost production and reduce dependency on rice imports.
- Iraq cancelled September's tender for rice imports because of spreading conflict.
- Preliminary estimates are that 971 000 hectares of crops in Pakistan have been damaged by floods.

REGIONAL OVERVIEW

FOOD AND REGIONAL INFLATION

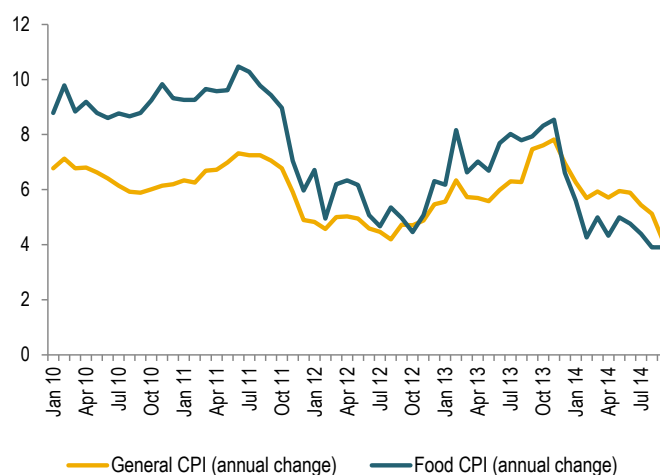
Regional inflation declined significantly in September, decelerating to 3.9 percent from 5.1 percent in August. Food price inflation persisted at 3.9 percent in September, unchanged from the previous month.

In the Philippines, food price inflation eased to 7.8 percent in September, as opposed to 8.7 percent during August. Ample supplies of vegetables slowed the rise in their prices, especially for bitter melon, eggplant and string beans. But retail prices for rice were 0.9 percent higher compared to August. In the Pacific Island Nation of Samoa, food prices fell by 0.5 percent. Prices for mutton flap, chicken wings, fresh fish, breadfruit, and pumpkin were all lower. Food prices fell by 0.2 percent in Indonesia as red onion, fresh fish, beef, spinach, and orange prices all declined.

Markets in the Sri Lankan capital of Colombo saw food prices fall by 0.2 percent. Prices for vegetables, potatoes, red onions, eggs, and dried fish fell as supplies increased. Lower prices of petrol and diesel also supported the fall in general inflation.

In Pakistan, food prices were unchanged in September. Increases in the price of tomatoes, sugar, and gur were offset in part by decreases in prices for chicken, fresh fruits, and pulses.

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.

General inflation in Thailand eased following a decrease in domestic fuel prices. Food inflation also slowed as prices for meat, fish, pork, and eggs declined as a result of greater supplies to local markets and lower demand because of the annual vegetarian festival.

FOOD PRICES

Globally, cereals prices continued to slide in September. Wheat prices fell 1.9 percent and maize prices were down 6.3 percent on good harvests and larger than expected stockpiles of the grains in the United States (US). Stockpiles of maize in the US have exceeded estimates by the US Department of Agriculture in recent months because of a decline in demand for maize for use as animal feed. The price of Thai rice (100% B grade 2) declined by 3.1 percent from August, ending the price rebound of the past six months. Prices are now 3.7 percent lower than at the same time last year.

The **regional rice price index** in nominal terms rose 0.4 percent in September and was up 4.7 percent year on year. Adjusting for inflation, the real price of rice in the region was unchanged from the previous month, and just 0.2 percent lower than last year.

Short-term changes in the nominal price of rice showed a mixed trend throughout the region with Southeast Asia index decreasing by 1.2 percent, South Asia increasing by 0.9 percent, and India up by 1.6 percent. Annual nominal prices increased 7.1 percent in Southeast Asia, 4.4 percent in East Asia, 4.6 percent in South Asia, and 3.5 percent in India.

These increases were still significant in real terms in East Asia and Southeast Asia where rice prices increased by 1.2 percent and 1.9 percent, respectively. Real prices in the high-inflation areas of South Asia and India were lower compared to last year by 0.2 percent and 3.8 percent, respectively.

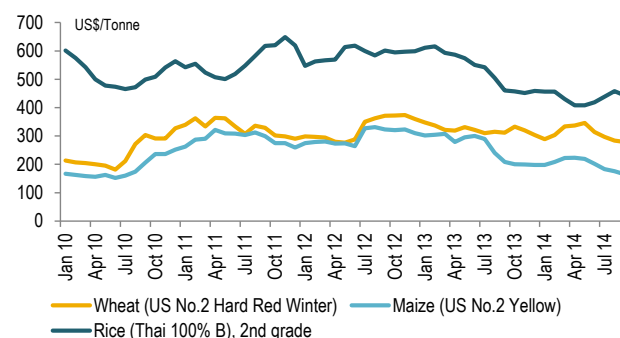
The **regional wheat price index** grew in nominal terms by an average of 0.6 percent during September. Increases were most pronounced in India, up 1.8 percent, while prices in Southeast Asia and South Asia declined by 1.5 percent and 0.4 percent, respectively. The nominal price of wheat in East Asia was up just 0.2 percent from the previous month.

Adjusting for inflation, wheat prices in the region fell an average of 1.3 percent year on year. The increase reflected mixed annual trends in the region with increases of 2.4 percent in Southeast Asia, and decreases of 0.9 percent in East Asia, 1.0 percent in South Asia, and 2 percent in India.

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.

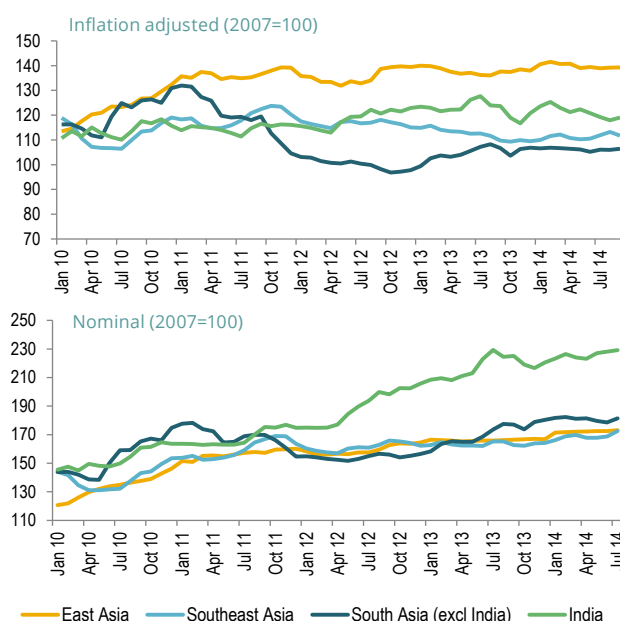
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia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

Global benchmark prices

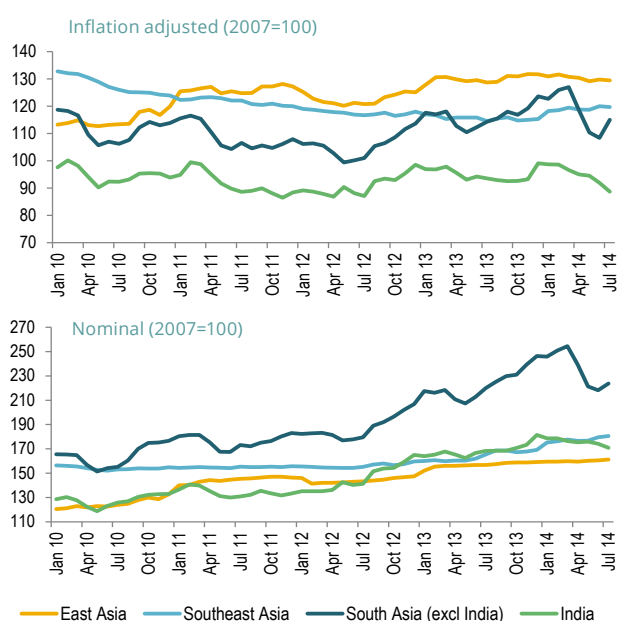


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **Bangladesh** (Dhaka markets), retail prices of cereals commodities, including wheat, wheat flour (atta), and coarse rice, declined from the previous month by 8 percent, 5.4 percent, and 0.1 percent, respectively. The prices of wheat and wheat flour, in particular, have fallen in line with international prices over the past year. Prices for wheat and wheat flour are now 1.9 percent higher and 5 percent lower than last year, respectively. The country relies on imports to meet domestic wheat demand. As of 18 September, the government had imported 385 800 tonnes of wheat, which was 100 000 tonnes less than at the same time last year.

Despite the recent extension of the export ban on non-frAGRANT rice for the MY 2014/15, the government has reportedly approved the export of 50 000 tonnes of paddy to Sri Lanka, where severe drought is expected to negatively impact production this year. This would be the largest amount of non-frAGRANT rice that Bangladesh has exported since the country's independence in 1971. Official sources said 2013 total rice production was a record 51.5 million tonnes, 2 percent higher than 2012, reflecting a slight expansion in area planted, record yields and favourable weather. The government has been supporting rice production with hybrid seeds, fertilizers and fuel subsidies.

In **Indonesia** (national average), trends in retail prices for grains were mixed in September with medium rice down 1.5 percent and wheat flour rising slightly by 0.2 percent from August. On an annual basis, the price of medium rice has risen by 5.8 percent and wheat flour by 7.1 percent.

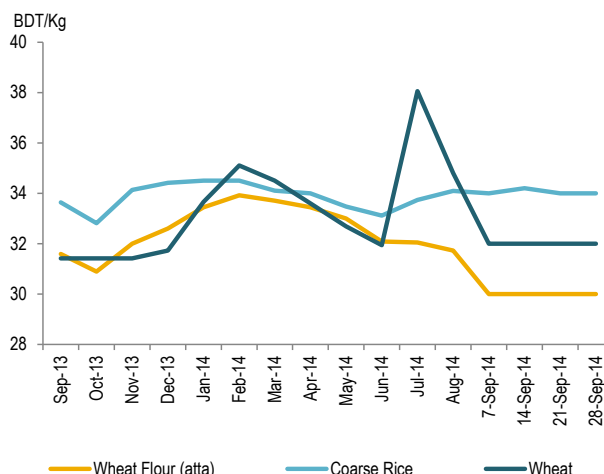
Retail chicken prices were 2.2 percent higher compared to last month, but 1.8 percent lower than last year. Small-scale poultry producers are likely to receive support from the new government through a series of initiatives to increase production and bolster their incomes.

Prices for local soybean increased by 1.4 percent in September continuing the upward trend of the past year. Soybean prices are now 2 percent higher than in September 2013. Prices for edible oils (unpacking cooking oil) fell by 1.9 percent in September, down from their peak in July. Despite this, prices are still 11.2 percent higher than at the same time last year.

Indonesia is considering temporarily removing its 9 percent export tax on palm oil in order to boost international sales. Palm oil is used for cooking and in manufacturing cosmetics. The move would be in response to Malaysia's export tariff cut to 4.5 percent in early September and subsequently to zero. Favourable weather has led to higher palm oil production, but the increased output has coincided with a slowdown in global demand and led to a significant increase in stocks in Indonesia and Malaysia, the world's two leading suppliers.

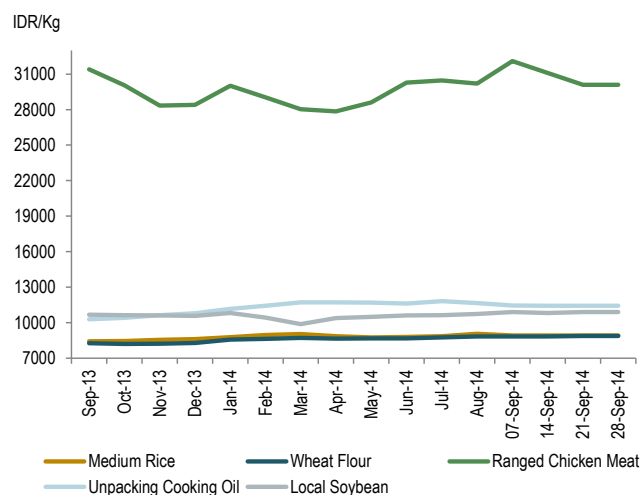
In **Myanmar**, retail prices for rice fell 2.9 percent, and maize fell 5.5 percent in September, following seasonal peaks in the second quarter. Currently, prices for rice are 2.8 percent lower and maize just 1 percent higher compared to the same time last year. FAO forecasts aggregate 2014 rice production at 29.5 million tonnes, up 3 percent from last year. The

Bangladesh



Source: National Food Policy Capacity Strengthening Programme, 2014

Indonesia



Source: Ministry of Trade (Indonesia), 2014

Myanmar



Source: E-Trade Myanmar, 2014

forecast for 2014 maize production is a record level 1.8 million tonnes, up 3 percent from 2013's bumper crop.

Oils prices also decreased in September, with groundnut oil down 3.1 percent and palm oil down 6.8 percent. The lower prices reflect ample stocks in the region. Despite this short-term decline, groundnut oil prices are still 4.1 percent higher than last year. Soybean prices also decreased in September, falling 1.7 percent and continuing a downward trend that has left them 17.7 percent lower than last year.

In the **Philippines** (national average), prices for well-milled rice increased 1.7 percent from the previous month, while prices for regular-milled rice were unchanged. The price of commercial rice has risen steadily over the past year, growing 15.4 percent for regular-milled varieties, and 15.9 percent for well-milled varieties. A contraction in production resulting from lower-than-normal precipitation between April and mid-May and lower domestic stocks, led to short-term price rises.

Rice imports in the 2014 marketing year are expected to reach 1.8 million tonnes, more than double last year's total. The increase is indicative of government efforts to stabilize domestic prices and restore public stocks. The Philippines' National Food Authority decided in September to purchase a total of 500 000 tonnes of rice from Thailand and Vietnam in government-to-government deals. Despite the original target to achieve self-sufficiency in rice by 2016, government officials stated that a longer period might be needed before the goal can be fulfilled.

Reduced seasonal supplies to local markets continued to have an effect on fruit and vegetable prices. The price of tomatoes and white potatoes were among those costing more in September; increasing 18.9 percent and 10 percent, respectively. Fruit and vegetable prices have risen at an accelerating pace over the past year, with tomatoes now 23.4 percent higher, and white potatoes 6.5 percent higher.

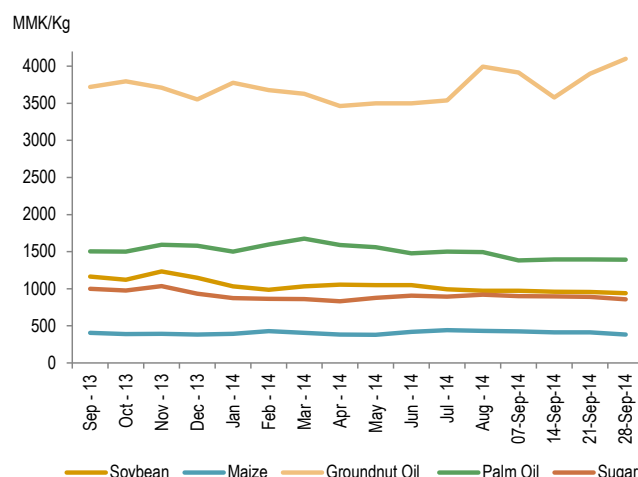
In **Sri Lanka**, fruit and vegetable prices fell significantly throughout August and September. Following a slash in import tariffs, prices began to return to levels seen before they spiked in the summer months. Tomato prices are now lower than at the same time last year by 30.6 percent, while local potato prices have decreased by 5.9 percent.

While vegetable prices have cooled significantly, the price of rice has remained unchanged from August and is now 35.8 percent higher than last year. Drought-reduced output in the 2014 main growing season was the main cause. Aggregate rice production in 2014 is officially estimated at 3.6 million tonnes, 22 percent lower than the 2013 record output, and 12 percent below the five-year average.

To curb hoarding and rising domestic prices, the government announced that it will introduce a mobile rice-supply system using state-owned trucks to ensure uninterrupted deliveries throughout the country. The prolonged drought prompted a Cabinet decision to distribute paddy seeds to farmers in the affected areas and to import larger quantities of rice.

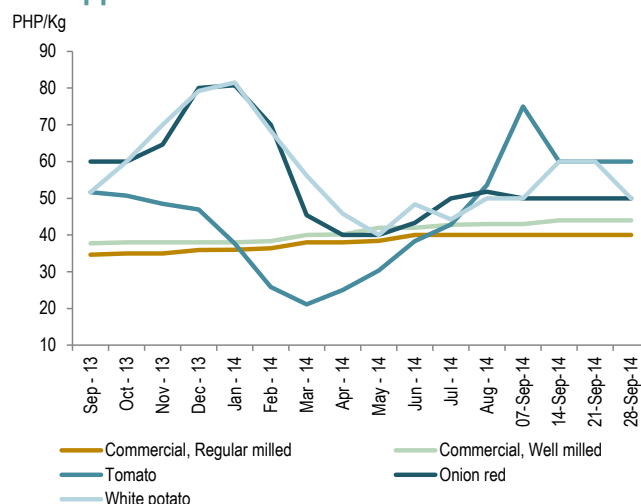
Prices of other cereals commodities such as wheat flour have remained relatively stable in September.

Myanmar



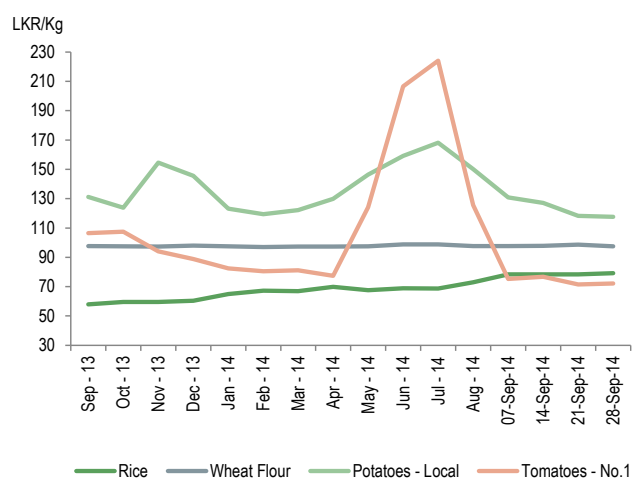
Source: E-Trade Myanmar, 2014

Philippines



Source: Philippines Bureau of Agricultural Statistics, 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.

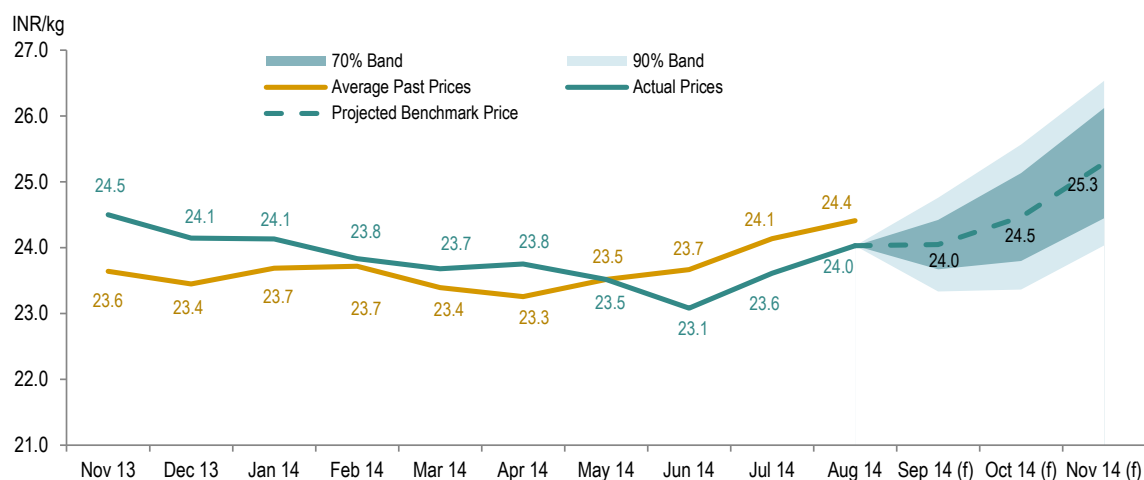
PRICE FORECAST

India (average of four markets, retail wheat)

Retail prices for wheat in India were INR 24 (US\$ 0.39) per kg in September, an increase of 1.8 percent from the previous month and an increase of 5.5 percent from September last year. The benchmark future price for October is forecast to be INR 24 (US\$ 0.39) per kg (within a 70% benchmark band of INR 23.7 – 24.4 [US\$ 0.39 – 0.40] per kg) a slight increase

of 0.1 percent from September 2014, and an increase of 4.2 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for wheat are likely to increase gradually within a benchmark band of INR 24.4 – 26.1 (US\$ 0.40 – 0.43) per kg.

Retail price for wheat



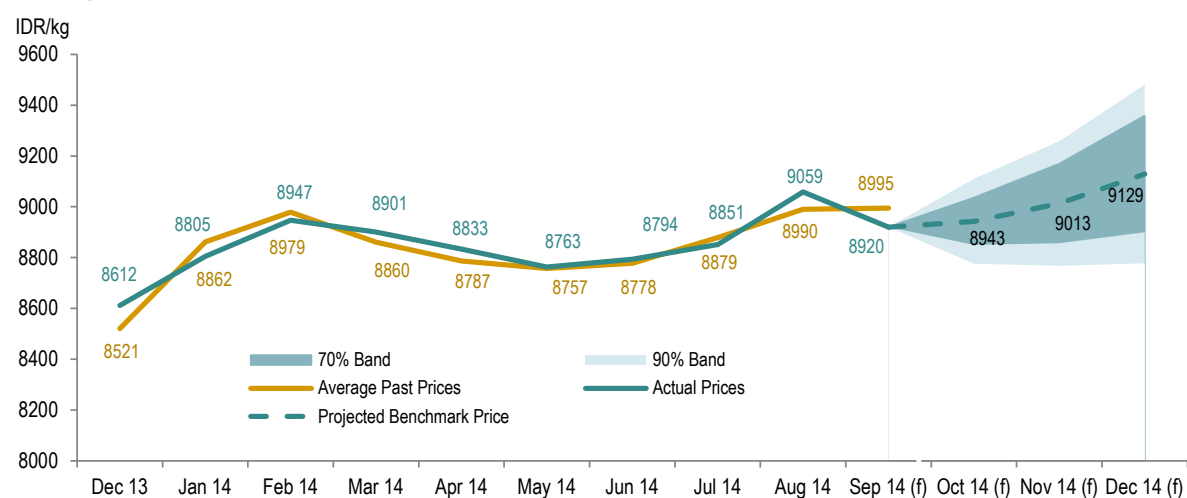
Source: FAO GIEWS and FAO staff calculations. Note: Four markets include Chennai, Mumbai, New Delhi and Patna.

Indonesia (national average, retail medium rice)

Retail prices for medium rice in Indonesia were IDR 8 920 (US\$ 0.73) per kg in September, a decrease of 1.5 percent from the previous month and an increase of 5.8 percent from September last year. The benchmark future price for October is forecast to be IDR 8 943 (US\$ 0.73) per kg (within a 70% benchmark band of IDR 8 850 – 9 036 [US\$ 0.73 – 0.74] per

kg) a slight increase of 0.3 percent from September 2014, and an increase of 5.9 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for medium rice are likely to increase gradually within a benchmark band of IDR 8 778 – 9 481 (US\$ 0.72 – 0.78) per kg.

Retail price for rice



Source: FAO GIEWS and FAO staff calculations.

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 Food Corporation of **Bhutan** (FCB) will support vegetable growers in Trashigang through buyback contracts. Coordinating with the regional agricultural marketing and cooperatives office, the FCB will buy vegetables from farmers, regardless of the level of profit expected.

On 17 September, **China** raised the minimum purchase price for mid-season and late-season Indica rice by CNY 60 per tonne (US\$ 9.78) to CNY 2 760 (US\$ 450). The minimum price for Japonica rice was also raised, by CNY 100 per tonne (US\$ 16) to CNY 3 100 (US\$ 505). Changes are effective from 16 September 2014 until 31 March 2015.

India has launched the Rashtriya Gokul Mission, under the National Programme for Bovine Breeding and Dairy Development (NPBBDD), to enhance the productivity of indigenous breeds. The goal is to increase milk production by using elite indigenous breeds. The initiative is expected to receive US\$ 28.6 million, or 35 percent of the National Programme's budget.

On 8 September, **South Korea** increased its fixed direct subsidy to rice farmers by 10 percent, to KRW 1 million per ha (US\$ 936.5) in an effort to boost production and reduce its import dependency. Direct subsidies for the winter paddy crop will also be raised by 25 percent, to KRW 0.5 million per ha (US\$ 468).

The Government of **Thailand** announced it will make a one-time payment to land-owning farmers of THB 1 000 per rai (US\$ 31 per 0.16 hectare) for up to 15 rai (about 2.4 hectares). The government said it would devise other support measures for rice tenant farmers. The Bank for Agriculture and Agricultural Cooperatives will also offer loans (up to 80 percent of total rice value) to farmers who stock their rice for sale at a later date. The Rice Policy and Management Committee is considering measures to manage output from the coming harvest during November to December, estimated at up to 27 million tonnes.

Consumer oriented policies

The Food Corporation of **India** (FCI) has supplied 16 500 packets of rice of 10 kg each for distribution in flood-affected regions of Jammu and Kashmir. The FCI has been directed to ensure uninterrupted supplies of grains for the Public Distribution System and release food grains on a credit basis if required.

Trade and market policies

In **India**, the Ministry of Food Processing has recently adopted several policies to support the food-processing sector. They include the creation of a special fund of INR 20 billion (US\$ 326 million) to provide affordable credit to agro-processing units; a reduction in excise duty from 10 to 6 percent for food processing machinery; a skill development initiative for seven sectors (bakery, dairy, grain processing, poultry, refrigeration, packaging and quality control) to train 10 000 people and five Mega Food Parks approved and 20 new cold chain projects sanctioned.

Because of political turmoil and conflict, the Grain Board of **Iraq** has cancelled the white rice import tender it set in September. The Board had received 15 offers from the US, Brazil, Uruguay, Argentina and Thailand. Rice is grown in parts of southern Iraq, but the country is dependent on imports.

The Economic Coordination Committee (ECC) of **Pakistan** will import 185 000 tonnes of urea fertilizer. The country could face a severe shortage of urea for the *Rabi* (November to April) season 2014/15 because of a gas shortage. According to the Ministry of Industries and Production, an additional 415 000 tonnes are required, but the ECC has not yet decided to import more.

The **Philippines** Government confirmed on 4 September 2014 that crude palm oil exports would be exempt from export taxes during September and October to draw down ample stocks.

To protect domestic producers, the Government of **South Korea** has announced a tariff of 513 percent on rice imports in excess of the WTO Minimum Market Access (MMA) of 409 000 tonnes annually, from 1 January 2015. For volumes within the MMA quota the tariff will be 5 percent. The MMA quota covers 9 percent of domestic consumption, estimated at 4.46 million tonnes. Rice will continue to be excluded from concessions under all bilateral and regional trade agreements.

Thailand has finalized government-to-government deals in recent weeks to revamp rice exports, including contracts with the Philippines' National Food Authority (300 000 tonnes of 25% broken white rice), Malaysia's Bernas (200 000 tonnes of 5% broken white rice), Indonesia's Bulog (175 000 tonnes of 5% and 15% broken white rice) and China's National Cereals, Oils and Foodstuffs Corporation (100 000 tonnes of 5% broken white rice). Demand from West Africa has declined because traders are reluctant to conduct business in the region during the Ebola outbreak.

OTHER UPDATES

Massive floods hit Pakistan rice bowl

Rice exporters are asking the Pakistani Government for tax relief as part of measures to mitigate the effects of massive flooding in Punjab, considered the country's rice bowl. The government said it is considering a range of measures including microcredit schemes for affected farmers. As of 9 October, estimates were that 971 000 hectares of standing crops have been lost, including rice, wheat, sugar cane

and other cash crops. The United States Department of Agriculture had predicted that Pakistan would produce 6.7 million tonnes of milled rice in the marketing year that ends this October, but the floods will likely cause production to fall short of that forecast. Government officials said that a large percentage of the crop-growing area had been affected, but a complete picture of the damage and losses could not be

drawn until the floodwaters recede, as many communities were cut off. Food stocks have also been lost. More than 350 people were killed, according to official statistics, and more than 2.5 million people affected by the floods that began in September.

Bangladesh has also suffered from severe flooding, with an estimated 3 million people affected, and relief workers saying that both crops and food stocks had been destroyed. As early as mid-September, government officials were estimating that over 78 000 hectares of crops in eight districts had been laid to waste. Also in the western region of Nepal, 200 000 people in 18 districts were affected by floods during August.

Asian farmers adopting climate-smart methods

With increasing concerns about the impacts of climate change on agriculture and food security, farmers in several Asian countries are responding by adopting climate-smart technologies. With the help of a team at the China Agricultural University, farmers in several areas of China piloted an approach called Integrated Soil-Crop System (ISSM) between 2009 and 2012 and the system is now beginning to be used more widely. ISSM successfully increased yields while reducing greenhouse gases because it reduces the need for fertilizers that requires nitrogen in their production processes. Farmers in China tend to use high amounts

of chemical fertilizers, which degrade the soil. The ISSM method allows farmers to alternate between various crops depending on the condition of the soil.

Farmers in two food-insecure provinces of Thailand are adopting similar approaches as part of a project led by the Asian Institute of Technology and the Ministry of Education with guidance from FAO and other partners. Called the "Smart Farmers Project," it targets farmers who rely on rain-fed irrigation in Uttaradit and Surin provinces. It relies on diversification of the rice farming system - integration of vegetables, legumes and other options - along with reduced use of chemical fertilizers and pesticides for cost savings and environmental protection. The system also promotes the use of sustainable rice intensification through a direct planting method that requires less water. The project is also working with farmers in Cambodia, Lao PDR and Viet Nam with support from the European Union.

Farmers in the Indian states of Haryana and Punjab have also been employing direct planting of rice, as their areas are especially prone to global warming induced climate change. By banding together in cooperatives, these farmers have been able pool enough resources to invest in and share machines that sow the seeds, remove crop residues and level their fields. This new approach saves water and reduces greenhouse gas emissions.

Sources of policy information: Ministry of Food and Oryza (Bangladesh), KuenselOnline (Bhutan), Ministry of Agriculture (China), Press Bureau of India (India), Reuters and USDA (Indonesia), Oryza (Iraq), The Nation (Pakistan), IGC and Live Rice Index (Philippines); IGC and Oryza (Sri Lanka); IGC (South Korea); National news Bureau and Oryza (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>.

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

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