



HIGHLIGHTS

- Regional inflation edged downward in January to 3.3 percent from 3.4 percent in December, while food inflation picked up to 4.7 percent compared to 4.3 during the same period.
- Vegetable prices spiked in India because of extreme cold weather and unexpected rains in December. Wheat prices rose 11.8 percent, supported by increased minimum support prices.
- Soybean prices fell 11.2 percent in Myanmar on increased imports and new harvest arrival.
- Vegetable prices began to ease in Pakistan partially because of lower fuel prices and transportation costs.
- Thailand has opened a tender to sell 1 million tonnes of rice from its stocks.
- Viet Nam has further cut its rice minimum export price because ample supplies and increased international competition have driven prices down in global markets.
- Russia has imposed an export tax on wheat from 1 February to 30 June to stabilize domestic prices.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

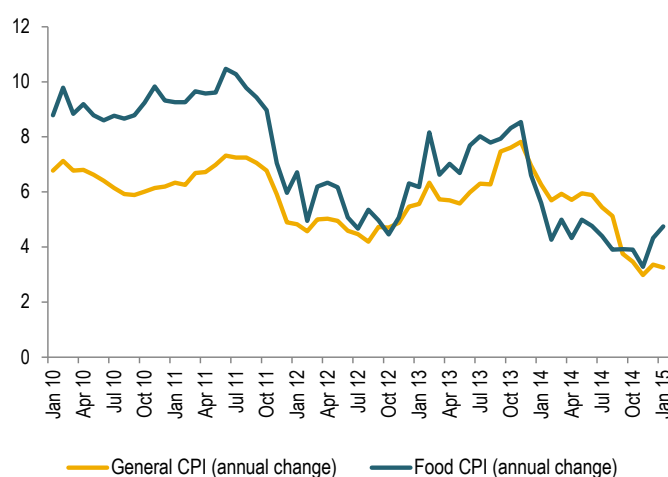
Regional inflation declined slightly in January, decelerating to 3.3 percent from 3.4 percent in December. Food price inflation, meanwhile, increased to 4.7 percent from 4.3 percent over the same period.

Despite the regional decline in general inflation over the past few months, several countries experienced rising consumer prices year on year. Indonesia registered the highest increase in general consumer prices with a 6.7 percent rise, while food price inflation rose by 8.2 percent. Although price rises slowed in January, vegetables, fresh fruits and aquatic products were more expensive. Sri Lanka scored a 12 percent rise in year-on-year food prices compared with just a 3.2 percent increase in general inflation. Green chili prices rose by 104 percent month on month in January, and heavy rains and floods increased prices for coconuts, most vegetables, rice, chicken, fresh and dried fish, and eggs.

Pakistan's general inflation rose year on year by 3.9 percent, and food prices rose 2.1 percent. Prices for tomatoes, chicken and eggs rose in January compared to December. Consumer prices rose in the Philippines at a 3.8 percent clip and food prices were 5.7 percent higher year on year. Month on month in January, fresh fish and vegetables were more expensive. Samoa's general inflation was also 3.8 percent and its food prices rose by 5.2 percent compared to one year ago.

China registered just a 0.8 percent rise in general inflation and a 1.1 percent rise in food prices compared to one year

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.

ago. But on a monthly basis in January, fresh vegetables rose 4 percent, fresh fruits 3.9 percent and aquatic products 2.2 percent, while egg prices fell 3.4 percent and pork was down 1.4 percent. In Thailand, year-on-year consumer prices were down 0.4 percent but food prices were up 2.3 percent. Food price increases over the past year were driven by more expensive meat, poultry, fish, prepared food, seasonings and condiments, eggs and dairy products.

FOOD PRICES

The FAO Food Price Index averaged 182.7 points in January, down 3.6 points (1.9 percent) from the December value, with cereals and oils registering the strongest declines. Except for a short-lived reversal in October, the FAO Food Price Index has been falling every month since April 2014.

Globally, prices for wheat and maize continued to slide in January. Wheat prices were down 9.2 percent from December, and maize prices fell 1 percent. Compared to one year ago, the price of maize was down 10.7 percent and wheat fell by 9.2 percent. The price of Thai rice (100% B), meanwhile, increased by 0.4 percent from the previous month as prices rebounded slightly after having fallen every month since August.

The **regional rice price index** increased 0.5 percent in nominal terms in January and was up 1 percent year on year. Adjusting for inflation, the real price of rice in the region was unchanged from the previous month and 3.4 percent lower than last year. Short-term changes in the nominal price of rice were mixed throughout the region with East Asia increasing by 1.5 percent, Southeast Asia increasing by 1.2 percent, South Asia decreasing by 0.4 percent, and India down by 0.6 percent. Annual nominal prices increased by 4.3 percent in Southeast Asia, rose by 3 percent in East Asia, increased 1.1 percent in South Asia, and declined by 3.2 percent in India. Real prices fell more significantly when compared to the previous year, as prices in India and South Asia fell by 9.9 percent and 3.3 percent, respectively.

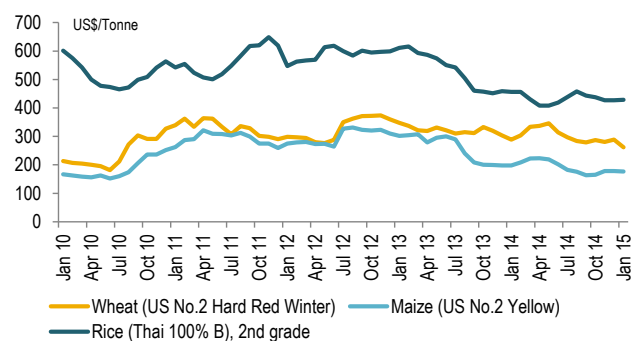
The **regional wheat price index** increased by an average of 1.7 percent in nominal terms during January. Increases were most pronounced in East Asia, up by 3.9 percent, while prices in South Asia declined by 1 percent. The nominal price of wheat in India and Southeast Asia was stable, with prices in India increasing 0.5 percent and 0.1 percent in Southeast Asia.

Adjusting for inflation, wheat prices in the region fell an average of 1.9 percent year on year. The fall reflected mixed trends in the region with increases of 3.4 percent in East Asia, and decreases of 7.6 percent in Southeast Asia, 6.3 percent in South Asia, and 8.3 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.

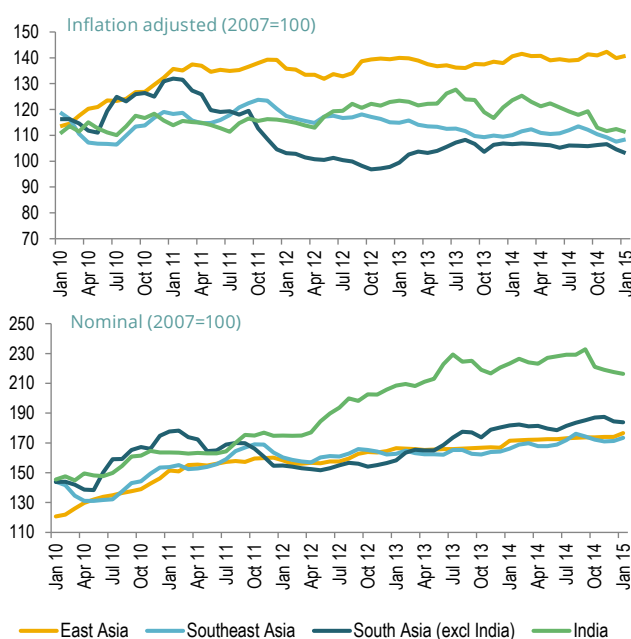
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia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

Global benchmark prices

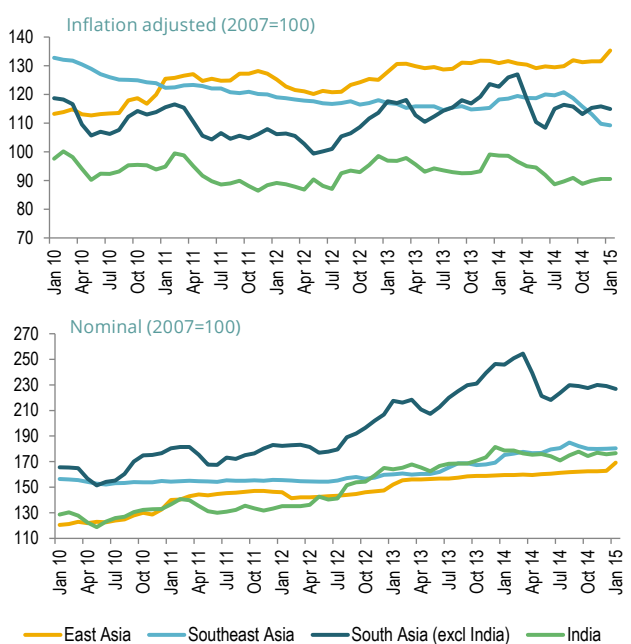


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **India** (Delhi markets), coarse rice prices fell by 3.4 percent in January, while wheat prices surged by 11.8 percent. Despite ample state reserves, wheat prices increased partially because of public procurement at a minimum support price higher than the previous year. On the other hand, rice prices have been stable reflecting ample domestic supplies from the *kharif* rice crop (June-December). Rice exports have been declining recently because of the import ban in Iran, a significant market for Indian rice. Combined with lower output in 2014 and larger domestic requirements expected in 2015, FAO estimates a fall of about 20 percent in the country's rice exports for the 2014/15 marketing year (April-March).

The Government has revised its required levels of buffer stocks of food grains, setting new limits and allowing excess to be sold on the open market or exported by the Department of Food and Public Distribution.

Price spikes were more pronounced for fresh vegetables, with tomato prices up by 41.6 percent, onions by 25 percent, and eggplants (brinjal) by 19.1 percent from the previous month. Unexpected rains in December and extreme cold weather reduced supplies and led to the sharp price rises. Crop damage in neighboring Pakistan also prompted wholesalers to divert their stocks to the Attari border for profit taking.

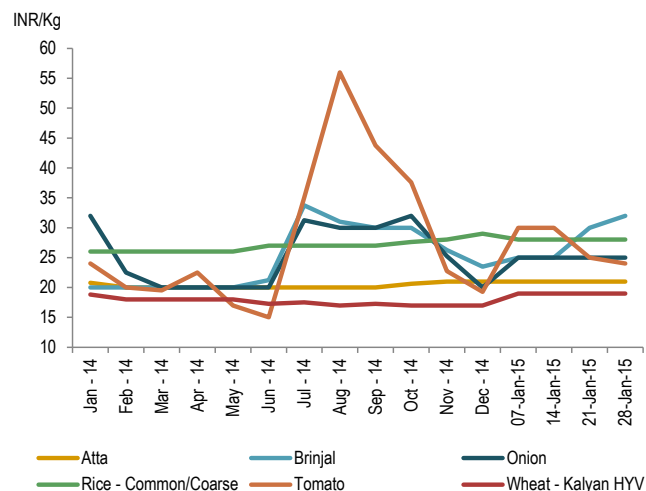
In **Indonesia** (national average), wheat flour prices were stable in January, while prices for medium rice increased by 3.1 percent compared to December. Year on year, wheat prices increased 3.4 percent while medium rice prices rose 9.4 percent. The government is aiming for a 4 percent increase in paddy output in 2015, to 73.4 million tonnes, which would help curtail imports. To help achieve the target, the minimum purchase price for rice was increased by 10 percent to IDR 7 260 per kilo (US\$ 0.57) from the current IDR 6 600 (US\$ 0.52) per kilo to encourage farmers to grow more rice.

Chicken meat and chicken eggs prices increased by a respective 10.5 and 7.8 percent from December, and were 2.4 percent and 8.8 percent higher than at the same time last year. Prices dropped in January for several commodities, including red chili, which fell a significant 43 percent. Prices had spiked in December as a result of limited production in Java and East Java because of drought conditions during the previous planting season. Prices for red chili were still 26.7 percent higher than the previous year.

Increased food prices in late 2014 were partially a result of higher demand during the holiday season and higher transportation costs. The government raised fuel prices by 30 percent in November, despite falling petroleum prices on world markets, to cut government subsidies.

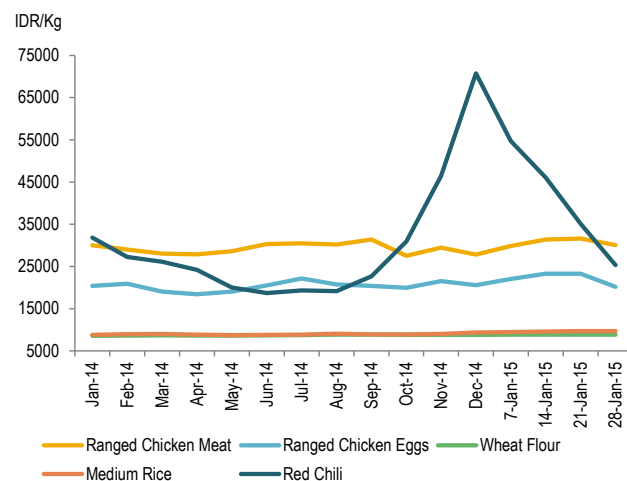
In **Myanmar** (Yangon markets), prices were stable for the main cereal commodities, rice and wheat, increasing just 2.2 percent and 1.8 percent from last month, respectively. Rice production in 2014 is forecast at 5.5 million tonnes, similar to last year's output. The government is prioritizing rice in

India



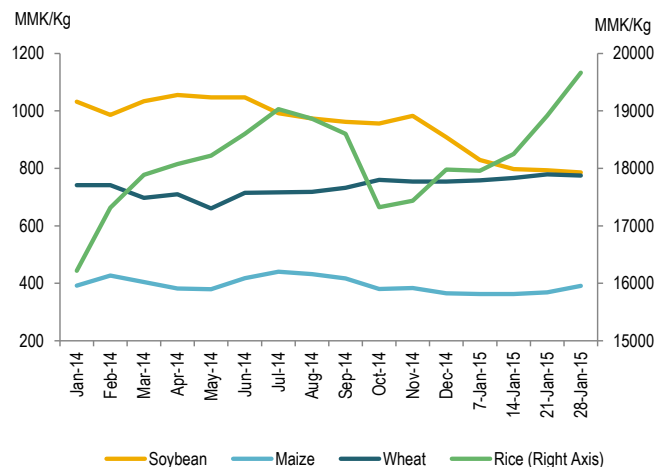
Source: Ministry of Agriculture, 2015

Indonesia



Source: Ministry of Trade Indonesia, 2015

Myanmar



Source: E-Trade Myanmar, 2015

its new National Export Strategy, aiming to export 3 million tonnes over the next five years by promoting high quality standards and exploring new markets. Myanmar is negotiating an export agreement with China with deliveries expected to start in April. The agreement would also discourage illegal rice exports between the two countries, which reached 800 000 tonnes from April to December, according to United States Department of Agriculture (USDA) estimates.

Soybean prices fell 11.2 percent in January on increased imports from India as the harvesting season began in both India and Myanmar. Soybean prices were also 21.8 percent lower than last year. Maize, palm oil and sugar prices also declined year on year by 7.1 percent, 8.5 percent, and 7.8 percent, respectively.

In **Pakistan** (national average), cereals prices (wheat, wheat flour, and rice) were stable in January. Wheat and wheat flour prices were, however, considerably lower than one year ago, falling by 12 and 7.3 percent, respectively. Falling prices were the result of 2014's record wheat production, which also encouraged the Government to approve the export of 1.2 million tonnes of wheat from its stocks along with an export subsidy of PKR 6 billion (US\$ 59 million). The decision is aimed at reducing stocks before the harvest gets into full swing in mid-April. Official sources are forecasting a record wheat output of 26 million tonnes this year, supported by higher procurement prices for the upcoming season.

The spike in vegetable prices during the past few months began to ease in January, with prices for potatoes down by 24.3 percent, and prices of tomatoes 8.4 percent lower. Onions were an exception, with prices increasing by 3.7 percent, but still 32.8 percent lower than the previous year. The recent decline in fruits and vegetables prices was mainly attributable to a cut in fuel prices by the Government and lower transportation costs, especially in urban areas.

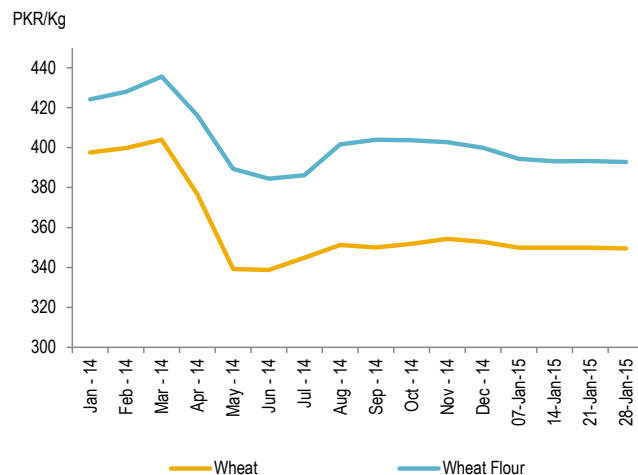
Meat and milk prices were higher than last year; beef prices increased by 6.4 percent, mutton by 6.5 percent, and fresh milk prices by 10.3 percent.

In **Samoa** (national average), food prices in local markets fell an average of 11.2 percent from January as demand declined following the holiday season. Price increases for tubers, which rose sharply during the holidays, slowed or fell, including taro (up 12 percent), taro palagi (up 34 percent), ta'amua (down 36 percent), and yams (down 19 percent). Breadfruit prices also fell an estimated 38 percent from December, as local market supplies for the commodity increased by over 300 percent.

Vegetable prices increased on surging demand and lower supplies in January. Head cabbage and tomatoes increased the most, rising 38 percent and 28 percent, respectively.

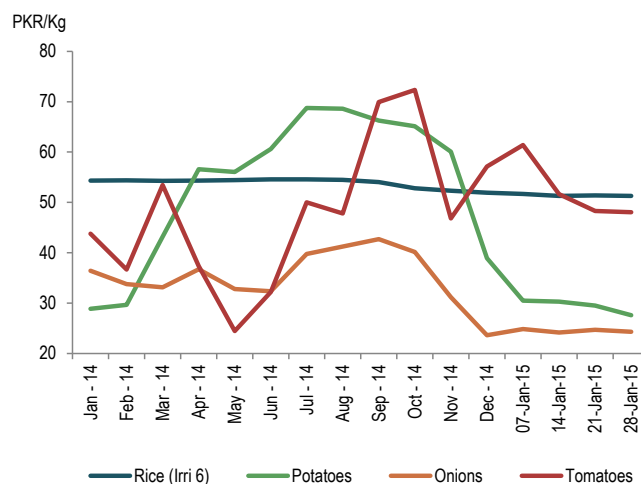
Fruit prices, however, declined over the period, as banana prices fell 5 percent and coconut prices fell 10 percent from the previous month.

Pakistan



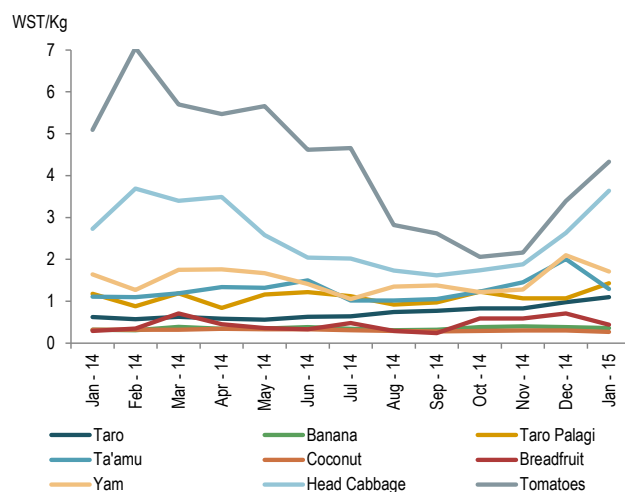
Source: Pakistan Bureau of Statistics, 2015

Pakistan



Source: Pakistan Bureau of Statistics, 2015

Samoa



Source: Samoa Bureau of Statistics, 2015

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.

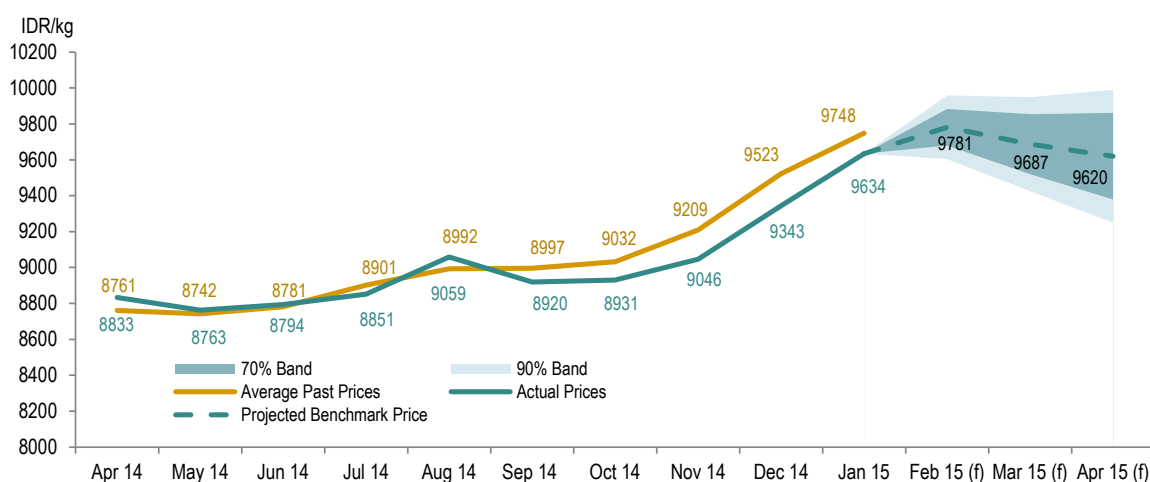
PRICE FORECAST

Indonesia (retail medium rice)

Retail prices for medium rice in Indonesia were IDR 9634 (US\$ 0.76) per kg in January, an increase of 3.1 percent from the previous month and an increase of 9.4 percent from January last year. The benchmark future price for February is forecast to be IDR 9781 (US\$ 0.77) per kg (within a 70% benchmark band of IDR 9679 – 9883 [US\$ 0.76 – 0.77] per

kg) an increase of 2.6 percent from January 2015, and an increase of 10.5 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for coarse rice are likely to increase gradually within a benchmark band of IDR 9379 – 9861 (US\$ 0.73 – 0.77) per kg.

Retail price for rice



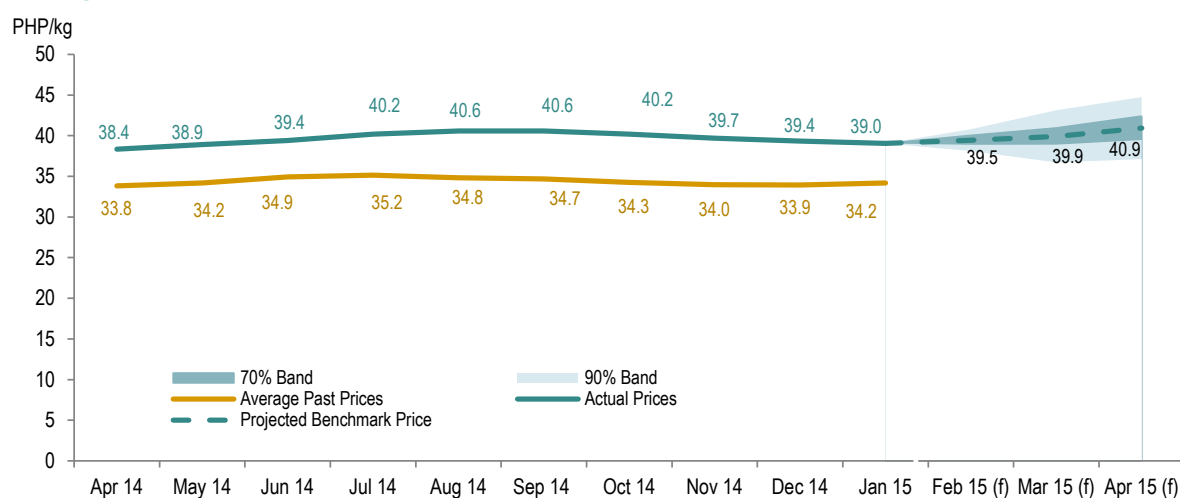
Source: FAO GIEWS and FAO staff calculations.

Philippines (retail rice)

Retail prices for rice in the Philippines were PHP 39 (US\$ 0.88) per kg in January, an decrease of 0.8 percent from the previous month and an increase of 7.0 percent from January last year. The benchmark future price for February is forecast to be PHP 39.5 (US\$ 0.89) per kg (within a 70% benchmark band of PHP 38.9 – 40 [US\$ 0.88 – 0.90] per kg) a slight

increase of 1.1 percent from January 2015, and an increase of 7.1 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for coarse rice are likely to increase gradually within a benchmark band of PHP 39.5 – 42.4 (US\$ 0.89 – 0.96) 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

China's Cabinet has released its annual policy paper, No. 1 Central Document, and agriculture and rural development remain its focus. The document identifies five action areas: (i) accelerating the shift of the pattern of agricultural development with a focus on modernization; (ii) intensifying pro-farming and pro-farmer policies with a focus on increasing farmer incomes; (iii) pushing forward the development of a new countryside through integrated urban-rural development, (iv) deepening rural reforms in an all-round manner to inject new vitality into rural development; and (v) strengthening the rule of law in dealing with rural issues.

The public Nayobay Bank of **Lao PDR** has earmarked LAK 6.3 billion (US\$ 772 044) for next year's farming season in Xekong province, targeting production of maize, rice, beans, fish, poultry, pigs, cattle, and coffee. About LAK 2.8 billion (US\$ 343 130) is expected to be provided as short- and medium-term financial support, while the rest will be in the form of long-term loans.

The Bureau of Fisheries and Aquatic Resources of the **Philippines** will establish 252 Community Fish Landing Centers (CFLC) in strategic areas nationwide to improve the socio-economic conditions of poor fishing communities. Each CFLC will cost PHP 2.85 million (US\$ 64 406) and will include post-harvest equipment, fishing tools and serve as a venue for trainings on disaster-risk and resources management. Expected results include better access to safe and quality fishery commodities for local consumers.

The newly elected government of **Indonesia** has allocated IDR 2 trillion (US\$ 156 million) for the rehabilitation of one million hectares of irrigation channels and the distribution of 25 000 tonnes of subsidized seeds and fertilizers to reach rice self-sufficiency over the next two years.

The Agriculture Ministry of **Sri Lanka** will compensate farmers affected by severe floods that occurred in December. Food aid (eggs and rice) and seeds for the next cropping season will also be distributed to farmers.

Trade and market related policies

The newly formed **Cambodia** Rice Federation approved the imposition of an export fee of US\$ 0.5 per tonne for long-grain white rice and US\$ 1 per tonne for fragrant rice to its members, according to local media. The fee will fund business and marketing services to promote Cambodian rice exports.

On 12 December, **China** announced that import tariff-rate-quotas (TRQ) for 2015 will remain unchanged from the previous year, with wheat at 9.64 million tonnes, maize at 7.2 million

tonnes and rice at 5.32 million tonnes (10 percent, 40 percent and 50 percent, respectively, for private buyers). The issuance of import quotas is conditional to purchase from domestic stocks.

Malaysia's Ministry of Agriculture and Agro-Based Industry has decided to import vegetables and fish from neighbouring countries to deal with shortages in flood-hit states and curb price rises. Affected households will also receive compensation under the Disaster Relief Fund.

On 15 December, the National Food Authority of the **Philippines** approved the import of 187 000 tonnes of rice by private traders for arrival on or before 28 February 2015. Each trader can buy up to 5 000 tonnes of high-value varieties and broken (white) rice.

On 6 January, **South Korea** set the tariff for rice imports that exceed the TRQ of 408 700 tonnes at 513 percent. Imports within the TRQ will be taxed at 5 percent.

On 26 December, **Russia** announced the introduction of a wheat export tax effective from 1 February to 30 June to discourage exports and lower domestic wheat prices. It consists of 15 percent of the customs price with an additional charge of EUR 7.50 (US\$ 8.50) per tonne with a minimum set to EUR 35 (US\$ 39.8) per tonne. The Ministry of Agriculture also increased the purchase price for the 2014 wheat crop for the State Intervention Fund by approximately 50 percent to induce farmers to sell wheat to the fund instead of to traders.

On 29 January, **Thailand's** Ministry of Commerce opened a tender to sell 1 million tonnes of rice, including 850 000 tonnes of 5% white rice and 150 000 tonnes of the Hom Mali fragrant variety. Bidders were allowed access to state warehouses to examine samples and the tender will be finalized by 20 February. The government is likely to issue another tender in March to sell all of its old-crop Hom Mali fragrant rice.

The **Viet Nam** Food Association has cut the minimum export price for 25% broken rice by US\$ 20 per tonne, to US\$ 360 f.o.b. effective from 12 January. This increases Viet Nam's chances of gaining the recently opened tender by the Philippines for the importation of 187 000 tonnes of rice. Viet Nam's rice exports prices have recently declined on ample supplies from the winter-spring harvest and reduced demand from international buyers.

Consumer oriented policies

The Cabinet of Ministers of **Sri Lanka** requested the Minister of Food Security to release on to the market the rice imported in response of the drought-reduced output of late 2014, prior to the arrival of 2014/2015 main season (October- January) rice harvest.

OTHER UPDATES

NGO projects improving aquaculture in China, Thailand and Viet Nam

Shrimp and tilapia farmers in China, Indonesia and Thailand will begin receiving livelihood improvement and environmental management trainings from the Sustainable

Fisheries Partnership (SFP), a United States-based nongovernmental organization with funding from Walmart, the U.S. multinational retail corporation and large buyer of seafood and aquaculture products.

The SFP announced last month that it will increase the scale of three of its Asian Aquaculture Improvement Projects (AIP). An AIP is an alliance of producers, processors, suppliers, and buyers working together to address sustainability issues in a fish-farming region. Within that region, SFP joins with the industry to identify workable zones for possible producer-processor collaboration.

The Indonesian project aims to help 10 000 shrimp farmers develop local resource management groups across much of the country to benefit from training programs, knowledge-sharing and resource use. The Thailand shrimp project will focus on local resource co-management and target women in farming families through trainings on disease control, water quality monitoring and business management.

China has been the world's leading tilapia-farming region for nearly two decades, and SFP will work with stakeholders to develop a code of good practice for farms. SFP will engage with about 2 000 small-scale farmers of which a third will be women. Trainings targeted toward women will focus on their technical empowerment in terms of water quality and business management.

Governments taking action on latest bird flu outbreaks

Governments around the region are on alert and have been implementing measures to contain outbreaks of Highly Pathogenic Avian Influenza (HPAI), also known as bird flu. Cases of H5 group of HPAI influenza viruses have been reported in January and February in parts of China, Taiwan, Japan and South Korea, as well as India in late November last year. The first four months of the year are when most

outbreaks in China of HPAI occur. Outbreaks have also been reported in wildlife and poultry in Canada and the north-western United States. Countries in the region have responded by culling affected poultry and improving border controls in response to the outbreaks.

In China, the third wave of H7N9 Low Pathogenic Avian Influenza has also been underway since December 2015 and more than 80 people have been affected. In Guangzhou, China, officials have responded by banning the sale of live poultry for five days before the Chinese New Year holiday. They have also ordered the centralized slaughter of poultry, cold chain distribution and sales of poultry meat only in chilled conditions. No live poultry will be allowed to leave wholesale markets and unsold poultry must be slaughtered the same day. Fujian, Shenzhen and Dongguan have also reported cases.

The International Poultry Council (IPC) will organize its 2015 first semester conference in April in Rome, Italy. This meeting will focus on the impact of Avian Influenza viruses on the poultry industry. At the meeting, FAO will give an in-depth update to IPC members at the meeting on what has been the most active season in several years for incidences of HPAI.

With increased avian influenza detections around the world, much of the discussion at the conference will likely be on the effects of influenza-related import restrictions the poultry trade. Particularly alarming is the impact of these restrictions on the international shipment of breeding stock, which is causing supply shortages in some countries and preventing producers from replenishing their poultry flocks.

Sources of policy information: CambodiaDaily (Cambodia); Ministry of Agriculture and IGC (China), Oryza and AMIS (India), Oryza (Indonesia), Lao News Agency (Lao PDR); FreshPlaza (Malaysia); Oryza (Myanmar); USDA (Pakistan), Department of Agriculture and IGC (Philippines); Official Government News Portal and PresInform (Sri Lanka); National News Bureau (Thailand), 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>.

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

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