



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS  
REGIONAL OFFICE FOR ASIA AND THE PACIFIC

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### Food prices rise slightly in June on more expensive sugar

The rising price of sugar was the chief reason for a 1 percent rise in the June FAO Food Price Index (FPI) released during the first week of July. The FAO FPI registered 234 points, 39 percent higher than during the same month last year, and just four percent below its all-time high.

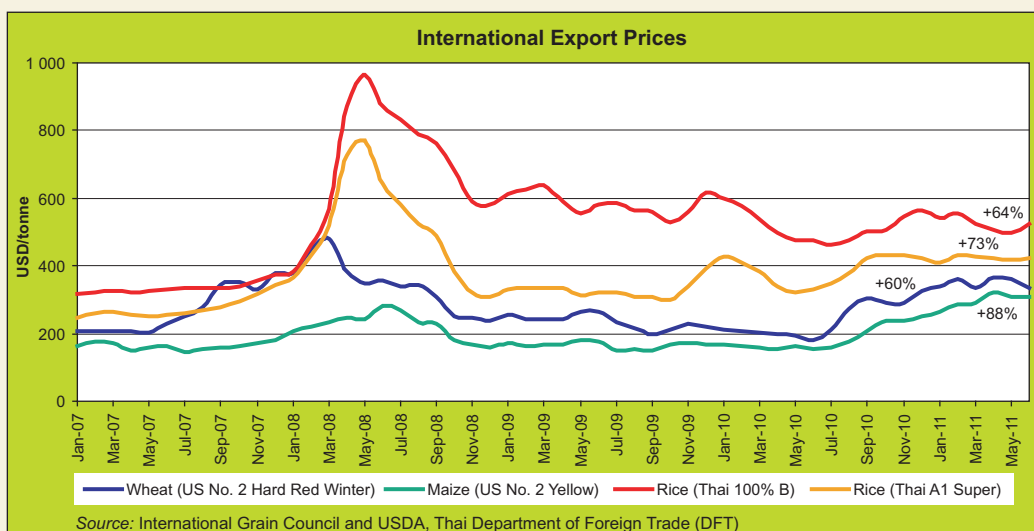
The FAO Sugar Price Index soared by 14 percent from May to June. The price increases were attributed to predictions of a poor harvest in Brazil by that country's cane industry group Unica. Brazil is the world's largest supplier of sugar. Unica forecast that this year's crop may drop by as much as 1 million tonnes compared to last year. Weather was cited as the chief reason, but also diversion of cropland for more sugar-based ethanol production. FAO has estimated that Brazil produced 37.2 million tonnes of sugar in the 2009/10 season.

Radobank, however, predicted a downward price correction could come soon, saying that lower output had already been factored into prices, and so they should start to fall.

Rice prices also rose as the benchmark Thai white 100 percent B second grade increased to \$518 a tonne in June from \$500 a tonne in May. Some analysts said the rise was attributed to Thailand's national election campaign, where leading candidate and ultimately the victor Yingluck Shinawatra was promising to pay farmers more for their paddy.

However, overall cereal prices fell by one percent during June on the FAO Cereal Price Index. Good weather in Europe and the lifting of Russia's export ban on wheat were the underlying factors in the drop. Nonetheless, cereal prices were still 71 percent higher than in June 2010.

Figure 1: Selected international cereal prices



A three percent rise in the price of poultry meat was responsible for a marginal increase in the FAO Meat Price Index, while bovine and ovine meat prices edged up slightly. The price of pig meat, however, registered a slight fall. The FAO Oils and Fat Index also showed a modest decline as prices for palm oil fell in Southeast Asia because of increased supply. The dairy price index remained stable as small increases and decreases in various types of powdered milk cancelled each other out, while butter and cheeses prices were steady.

### Domestic price stable around the region

Domestic prices for cereals were generally stable around the region in June. The exception was Cambodia,

where the wholesale price of rice rose by slightly more than 6 percent in June. Pakistan saw the largest general price increases with basmati rice rising by 4.7, regular rice by 1.2 percent and wheat by 3.1 percent. The price of wheat flour, however, dropped slightly in both Pakistan and neighbouring Afghanistan, where wheat and rice prices were unchanged. Wheat fell by half a percent in India. Aside from Cambodia, rice prices were generally soft around the region, with the price of ordinary rice in Laos dropping by 5.4 percent, while glutinous rice prices saw no change. Sri Lanka also saw rice prices drop by 1.4 percent. In the Philippines, the price of white maize rose by 1.8 percent, while yellow maize edged up by 0.3 percent.

### Brazil's Graziano da Silva chosen as new chief of FAO

Jose Graziano de Silva of Brazil was elected as the new Director-General of the Food and Agricultural Organization at the end of June, providing new leadership at the UN's largest agency at a time when the world is grappling with volatile food prices that are exacerbating poverty for millions. Starting 1 January 2012, he replaces Jacques Diouf of Senegal who led the agency for the past 18 years.

Graziano da Silva, 61, is a former Brazilian Minister of Food Security in the government of President Luis Inacio Lula da Silva, and was in charge of the President's "Zero Hunger" programme. The programme reduced hunger in Brazil

Figure 2: Trends in domestic prices for key commodities in selected countries

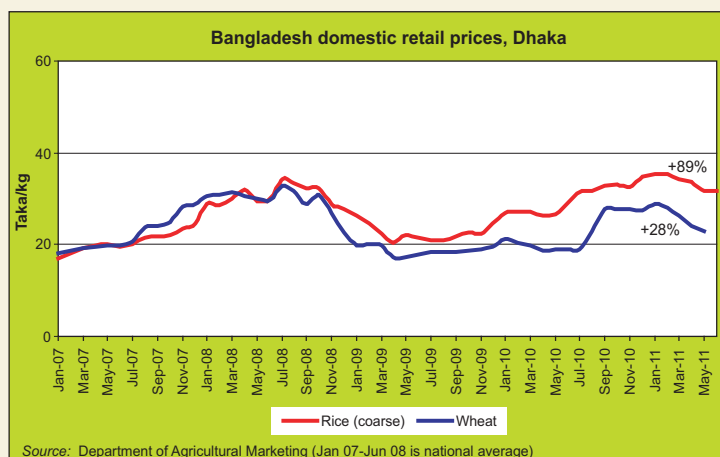
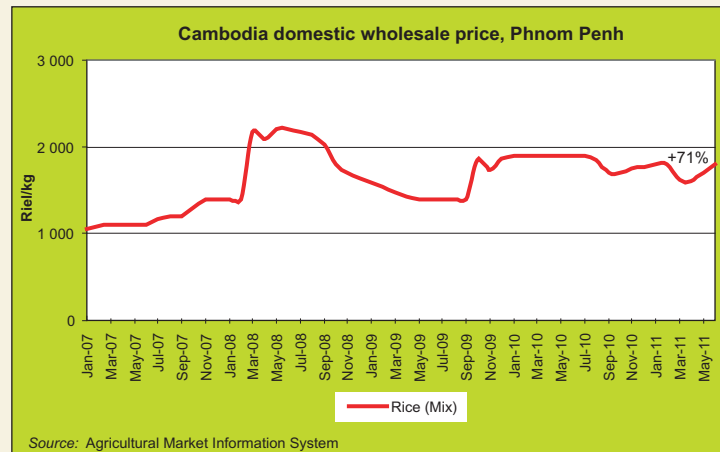
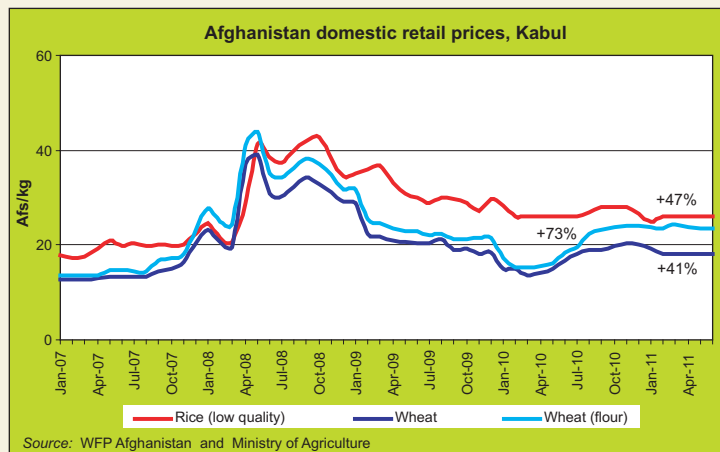
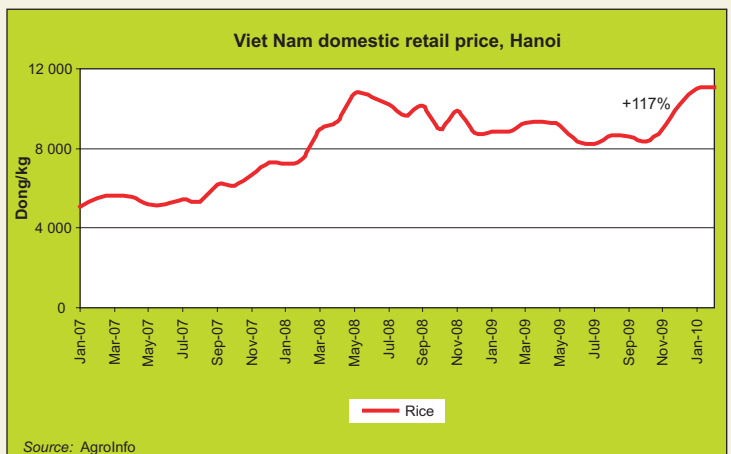
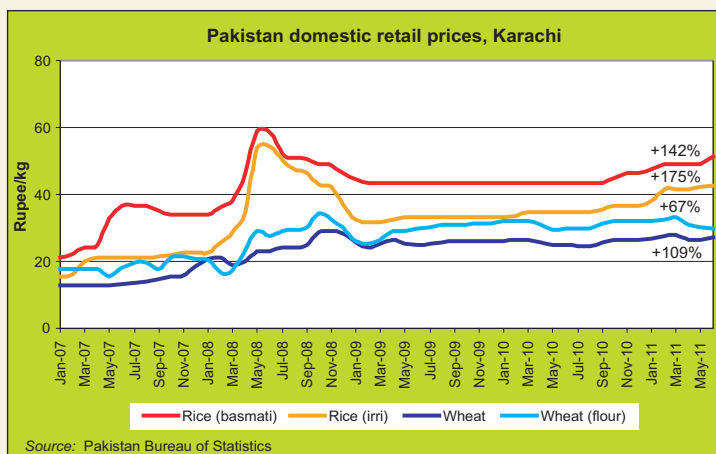
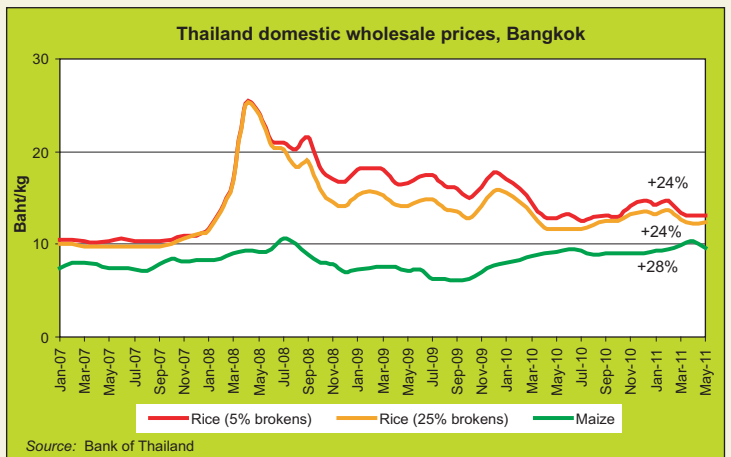
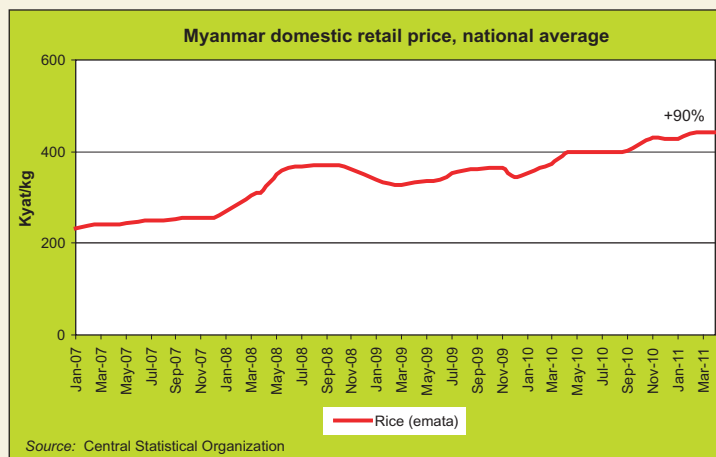
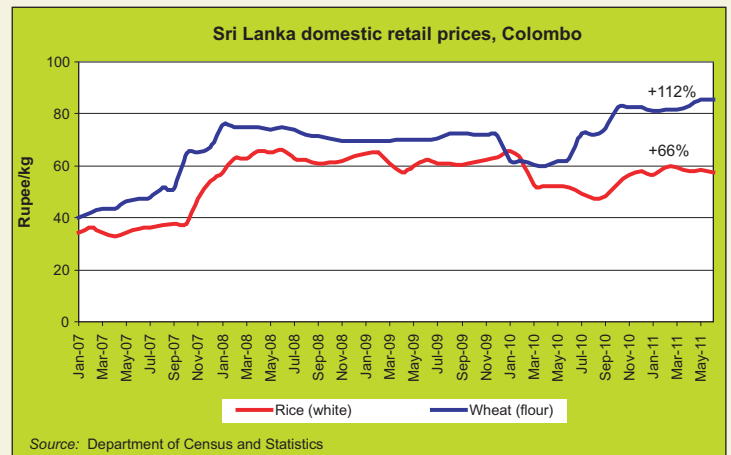
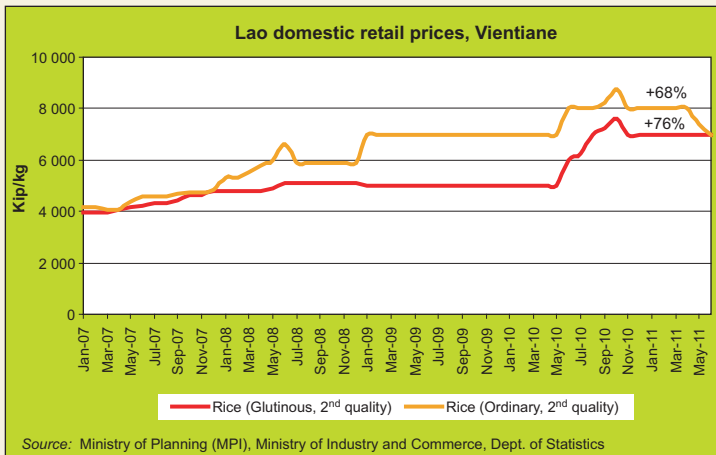
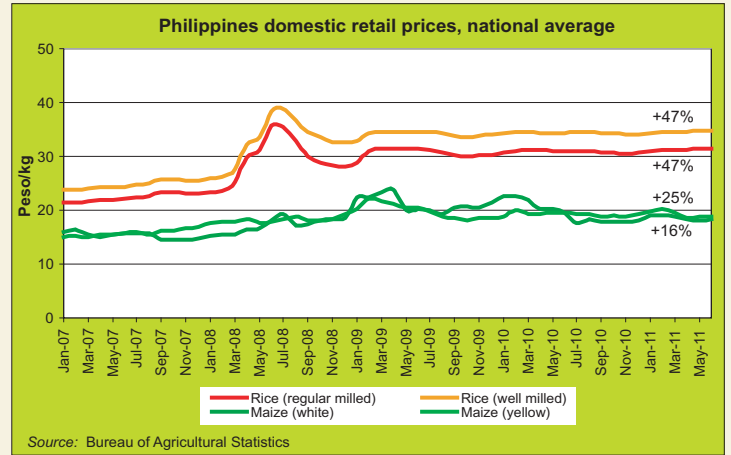
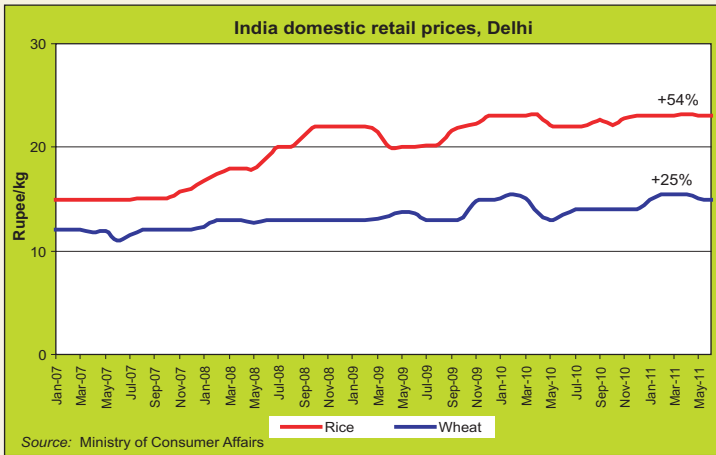


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



by half and helped reduce the percentage of people living under the poverty line from 12 percent in 2003 to 4.8 percent in 2009.

Graziano da Silva received 92 votes, edging out Miguel Angel Moratinos Cuyaube of Spain who received 88 votes. Since 2006, Graziano da Silva has served as an FAO Assistant Director-General and FAO's Regional Representative for Latin America and the Caribbean.

In a statement issued before his election, Graziano da Silva said FAO staff should be freed from time-consuming bureaucratic procedures and work more transparently. "Country offices need to enjoy greater autonomy in initiating and implementing projects," he said. "I subscribe to the view of FAO's founders that ending hunger is entirely possible. Ending hunger is not a charity, but an investment in our poorest people and a key to sustainable development."

### **FAO cereals forecast revised**

FAO has revised downward its forecast for world cereal production by 13 million tonnes from what was reported in its June Food Outlook, based on lower figures for maize output in the United States, and wheat and barley output in Europe. Wet weather in the US, and dry conditions in Europe were blamed for the lower output. Nonetheless, world cereal crops were expected to rise by 2.9 percent over 2010 to 2 302 million tonnes, and the world wheat crop is predicted to rise by 2.8 percent.

In Asia, FAO forecasts a wheat crop of 226.8 million tonnes in 2011, a 1.6 percent increase compared to 2010, a year which saw poor production. Increased production in Bangladesh, Pakistan, Nepal and India are expected to contribute to

the better harvest. Although China's wheat crop has been hit by drought, strong measures by the government on irrigation and provision of inputs should mitigate the worst effects.

Rice harvests are already showing increases over the previous year because of good weather and increased planting. If the wet season in the second half of the year is normal weather-wise, the total harvests should reach 640 million tonnes, up from an estimated 624 million tonnes the previous year.

### **Report urges end to biofuel subsidies**

A report authored by ten UN agencies, including FAO, has urged governments to end subsidies and targets for biofuels. Commissioned by the G-20 group of major economies, the report said subsidies for biofuels were driving up food prices. "If oil prices are high and a crop's value in the energy market exceeds that in the food market, crops will be diverted to the production of biofuels, which will increase the price of food," the report said. Other agencies involved in writing the report included the World Bank, World Trade Organization, International Monetary Fund, World Food Programme and the Organization for Economic Cooperation and Development.

In a related development, the United States Senate voted 73-27 to eliminate a tax credit and tariff that subsidizes ethanol production. The measure, however, is part of an economic development bill that is not expected to pass approval in the House of Representatives. Nonetheless, the vote is a strong indication that when the tax credits and tariffs expire at the end of this year, Congress will not vote to renew them.

### **Storm damages 50 000 hectares of rice paddy in Viet Nam**

Nearly 50 000 hectares of rice paddy were damaged when tropical storm Haima lashed Viet Nam from 25 to 29 June, causing flooding that killed 22 people and injuring 65 in 13 provinces. The government estimated economic damage at roughly US\$ 51 million, while the Ministry of Agriculture requested rice seed support for farmers in two severely affected provinces, Thanh Hoa and Nghe An. The United Nations Programme Group on Natural Disasters and Emergencies was closely monitoring the situation, while UN Clusters in Nutrition, Education in Emergencies and WASH (Water, Sanitation and Hygiene) were assessing the situation for possible support.

### **Rural rice prices drop in Cambodia, city prices rise**

The price of lowest quality rice fell by 3.1 percent in the rural areas of Cambodia during the month of May compared to April, the latest time frame for which statistics were available, according to a monthly survey carried out by the World Food Programme. However, the price of that same rice rose 1.6 percent in urban areas. Nonetheless, the price of the lowest quality rice was still 7.6 percent and 16.2 percent higher in rural and urban areas respectively compared to May last year. The WFP believed that the reasons for the lower prices in rural areas include lower transportation costs and less transmission of regional rice prices. Although the price of rice from Thailand has been dropping slightly in recent months, Viet Nam's rice prices have been rising.

## Weak dollar hurting Myanmar rice exports

The declining value of the US dollar is hurting rice sales in Myanmar as exporters are buying less of the grain because they are earning less money, according to The Irrawaddy, an online magazine published in Thailand. The magazine quoted domestic rice traders as saying that major exporters are sitting on stocks and making fewer new purchases because they are losing money on exports. Dollars earned from exports must be converted back to the local

currency, the kyat. But the unofficial exchange rate for the dollar has dropped from roughly 1 000 kyat to 750 kyat in recent months. With fewer exporters buying their rice, traders are channelling more to the domestic market. Consequently, the price of a sack of export-quality rice in Rangoon has fallen from the equivalent of \$17 to \$16, according to the magazine. Farmers are also suffering, it quoted economists as saying, because while the price of their rice is falling, the price of fuel, fertilizer and materials are continuing to rise.

Myanmar, meanwhile, signed an agreement to export 250 tonnes of parboiled rice to Russia, the secretary of the Myanmar Rice Millers Association told the Myanmar Times newspaper. He added that he believed Myanmar would eventually be able to compete with Thailand for exports of parboiled rice to markets such as Europe.

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