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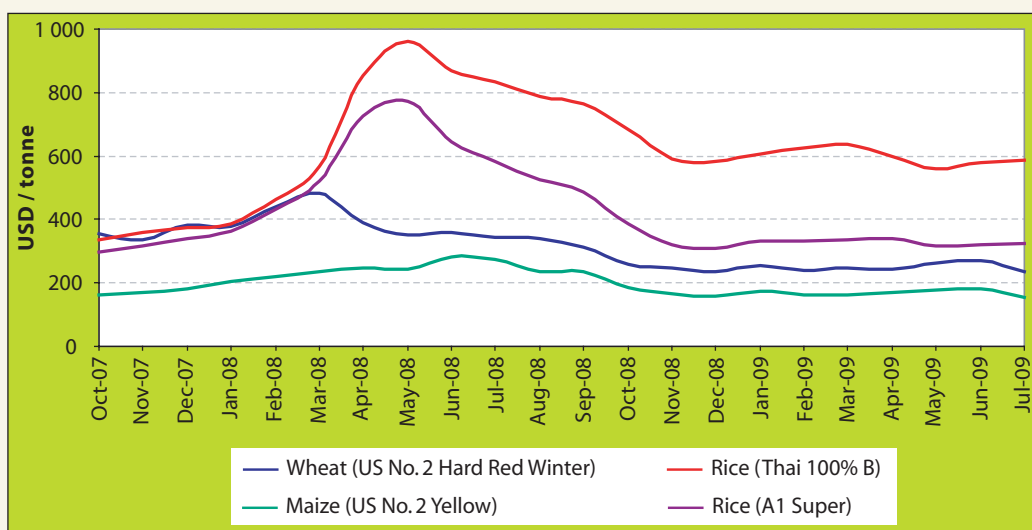
## Food prices "very high" in developing countries

Major declines in international cereal prices in anticipation of another record global harvest this year have not had much effect on domestic food prices in developing countries where they remain very high and in some cases at record peaks, latest assessments by the Food and Agriculture Organization of the United Nations (FAO) show.<sup>1</sup> Delayed imports, costlier transport, civil conflict, currency depreciations and policy changes are among the major reasons for persisting high food prices in developing countries, according to FAO's *Crop Prospects and Food Situation*, July 2009 report

<sup>1</sup> *Crop Prospects and Food Situation*, July 2009, Food and Agriculture Organization of the United Nations (FAO)

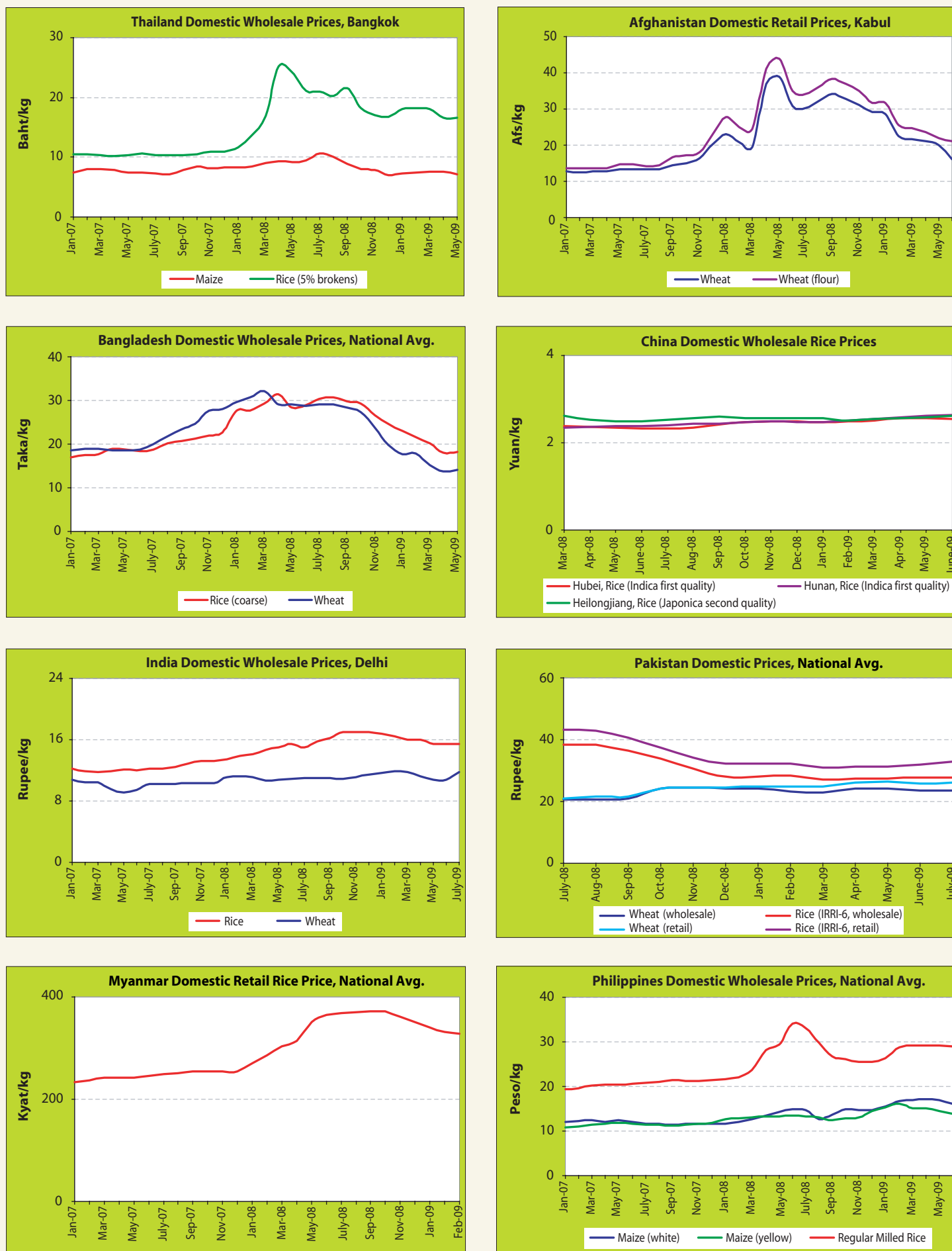
(<http://www.fao.org/docrep/012/ai484e/ai484e00.htm>). This is worrisome with large population groups in many Asian countries facing serious constraints to food access. These include more than 6 million people in the **Democratic People's Republic of Korea** whose food security is likely to worsen before the November harvest because of reduced international aid; more than 2 million people in **Nepal** facing food shortages after the 2008/09 winter drought reduced crop yields in some mid- and far-western districts by more than half; over 4 million people in south-western **Bangladesh** affected by Cyclone Aila in late May which also triggered the heaviest rains in three decades in the Himalayan kingdom of **Bhutan**, causing large-scale flooding and destruction of public

Figure 1: Selected international cereal prices



Source: FAO Regional Office for Asia and the Pacific

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



Source: FAO Regional Office for Asia and the Pacific

infrastructure; 3 million people displaced by the recent civil conflict in northwest **Pakistan**; and over 300 000 people awaiting resettlement after the cessation of the internal conflict in **Sri Lanka**.<sup>2</sup>

### Rice prices remain stable, wheat declines

International rice prices remained stable compared to sharply falling wheat prices (see Figure 1) despite projections of a marginal increase in the 2009 rice crop and increased inventories.<sup>3</sup>

In **Thailand**, propped up by the government intervention programme, Rice 100% B averaged US\$588 per tonne in July, US\$7 more than in June (see Figure 1). This has improved the export prospects of **Viet Nam's** lower-priced rice. With expectations of a bountiful paddy harvest in the Mekong Delta, the government of Viet Nam faced demands to raise the 2009 rice export quota above the present 5 million tonnes. FAO projects the country's rice exports to touch a record 5.4 million tonnes this year, narrowing the gap with the world's top exporter Thailand which is expected to ship only 8.3 million tonnes this year, about 2 million tonnes less than in 2008.<sup>4</sup>

Wheat prices continued declining in **Afghanistan**, averaging Afs 16.9 per kg in mid-July, compared to Afs 18.2 in June and Afs 19.2 in May. Although far below last year's peaks, wheat and flour

prices in the country are significantly higher than in January 2007 (see Figure 2). On the positive side, daily farm wages increased owing to growing demand for agricultural labour because of the very good cereal production prospects this year.

Wheat flour prices rose in **Pakistan** due to delayed supply of government-subsidised wheat to flour mills which had to buy on the open market, while pulses were costlier as traders held back stocks in anticipation of better prices in the coming holy month of Ramazan.

The delayed monsoon rains in **India** were expected to affect the long-awaited government decision on lifting the ban on non-basmati rice exports. Agriculture Ministry data in early July showed a 25 percent reduction in paddy plantings compared to 2008, while sowing of oilseeds was down by almost 50 percent. Farmers in the rice bowl states of Punjab and Haryana were switching to basmati which offers higher returns, needs less water and can be sown late. Traders attributed the soaring prices of pulses in major Indian cities, rising more than 150 percent above last year's level in Delhi, to reduced plantings due to deficient rainfall.

Delayed monsoon rains also reportedly affected rice planting in northern and central **Bangladesh** and in central **Myanmar**, although traders in Myanmar expected bigger rice exports this year. The Bangladesh government decided to sell rice at Tk 16 per kg under the Open

Market Sales programme to garment factory and tea garden workers, reports said.

In **Sri Lanka**, paddy prices declined between 1 to 7 percent compared to one year ago and the government announced purchase of 70 000 tonnes of paddy from farmers. Rice prices were kept stable in **Timor-Leste** by the government's rice subsidization policy which also partly covers costs of transporting imported rice from Dili to the districts.

Although staple cereal prices in Asia have remained stable or declined in recent months (see Figure 2), they are much higher than they were before soaring to record levels last year. Retail rice prices in Colombo in June 2009 were 74 percent above those in June 2007, consumer wheat prices in Karachi in May 2009 were 90 percent above those in May 2007 and the May 2009 retail rice price in the Philippines was 43 percent higher than in May 2007.<sup>5</sup>

### FAO's Initiative on Soaring Food Prices (ISFP) support and national policy developments

Delivery of ISFP assistance in the form of agricultural inputs has been completed or nearing completion in **Afghanistan, Bangladesh, Cambodia, DPR Korea, Mongolia, Pakistan, Sri Lanka** and **Timor-Leste**. In **Bhutan**, more than 80 percent of ISFP assistance has been delivered, 76 percent in **Nepal**, 62 percent in

<sup>2</sup> Ibid

<sup>3</sup> Ibid

<sup>4</sup> *Rice Market Monitor*, June 2009, FAO ([http://www.fao.org/es/ESC/en/15/70/highlight\\_71.html](http://www.fao.org/es/ESC/en/15/70/highlight_71.html))

<sup>5</sup> *Crop Prospects and Food Situation*, July 2009, FAO

the **Pacific Island Countries** and 10 percent in the **Philippines** which will also receive US\$9.2 million in grants from the Government of **Japan** for two farm productivity boosting projects covering 31 low-income provinces in Luzon and the Visayas and 6 300 ha of low-yield upland areas.

On 1 July **China** removed export levies on wheat, rice and soybean to reduce swollen stocks. China's 2009 wheat harvest output is tentatively projected at 113.2 million tonnes, 0.74 million tonnes above last year's record output.<sup>6</sup>

### **EU funds FAO's sustainable food security initiatives in Cambodia and Sri Lanka**

The European Commission has approved FAO project proposals worth about €16.4 million aimed at promoting sustainable food security in **Cambodia** and **Sri Lanka** for funding under the European Union's €1 billion Food Facility initiative announced last year in response to soaring food prices. The €11.2 million FAO project in Cambodia will enhance sustainable smallholder farm productivity through improved management practices and access to inputs and services, diversification and improved feeding practices. In **Sri Lanka**, the €5.2 million EU Food Facility-funded FAO project will promote food security and nutrition of vulnerable groups in the country's eastern region. The projects follow approval by the EU earlier this year of similar FAO

proposals for **Afghanistan** and **Pakistan**.

### **G8 initiative to promote sustainable agricultural growth in developing countries**

The announcement of the G8's US\$20 billion Food Security Initiative at the Summit in L'Aquila, Italy in July has been welcomed by FAO as an "encouraging shift of policy in favour of helping the poor and hungry to produce their own food". The G8 initiative will support a comprehensive food security strategy focused on sustainable agricultural development.

### **Stronger public and private commitment needed to reduce hunger in Asia: FAO**

*Mediacorp Pte Ltd., Singapore's leading media company broadcast a roundtable discussion on the 2008 food crisis and the G8 Summit. FAO regional chief He Changchui and FAO regional economist Kinlay Dorjee joined Julian Cribb, adjunct professor in Science Communication at the University of Technology, Sydney and World Bank President Robert Zoellick in the discussion moderated by Joyce Ong, a journalist with 938Live, a Mediacorp news radio station. Below is a transcript of the broadcast aired in two parts on 9 and 10 July by 938Live.*

**Radio host introduction:** "Widespread news coverage about skyrocketing food prices, food supply shortages and the resulting riots around the world, threw the issue of food security into the limelight early last year. But as the economic crisis in the United

States began to make itself felt around the world in the second half of the year, the food crisis was forced to retreat into the shadows. Joyce Ong finds out what issues are at stake as governments battle a possible resurgence of the food crisis amid a poor economic climate."

**Ms Ong:** "The trouble began in 2006 when the cost of popular food staples such as wheat, sugar and rice began to rise gradually. By early 2008, the World Bank reported that food prices around the globe had jumped over 80 percent. But the global food crisis really made headlines around the world when riots erupted in a number of countries. The food-related unrest sparked much concern over political and economic stability around the world for many months, until the financial crisis monopolized the world's attention. This year, the Food and Agriculture Organization of the United Nations, or FAO, has projected a record high number of hungry people around the world. Dr Kinlay Dorjee, an economist at the FAO's Regional office for Asia and the Pacific in Bangkok, explains."

**Dr Kinlay:** "The latest FAO estimate, which was released about a month ago, estimates the total hungry population around the world to be about one billion and twenty million (1.02 bn) in 2009. This is one hundred million more than we estimated for last year."

**Ms Ong:** "The continuing global economic meltdown has certainly not helped this situation. For one, it's stolen the limelight from the

<sup>6</sup> Ibid

food crisis. As governments around the world scrambled to address the financial downturn with a raft of measures and stimulus plans, they gave less attention and funds to solving world hunger and skyrocketing food costs. Dr Kinlay says this could have dire consequences."

**Dr Kinlay:** "If this happens then the food crisis is not going to be solved because we're first waiting for the economic and financial crisis to be solved. And then the food crisis may come back with a more difficult situation."

**Ms Ong:** "Commodity prices have eased from last year's record levels. But the cost of food has yet to drop to pre-crisis level – and that is still a problem for the world's poor, says Dr Kinlay."

**Dr Kinlay:** "Well, the direct impact of the financial/economic crisis has been a lowering in the income and therefore a reduction in the means to accessing food for a lot of the poor and vulnerable groups."

**Ms Ong:** "Julian Cribb, adjunct professor in science communication at the University of Technology Sydney, says two major factors are contributing to high food prices. One of these is the use of biofuels in agriculture and the other is climate change. This is expected to increase by 40 to 170 million the number of undernourished people worldwide, according to the Intergovernmental Panel on Climate Change."

**Prof. Cribb:** "Now, hopefully we'll move on to second and third

generation fuels which will not compete so directly with agriculture, with food production. But they will still compete against food production to some degree. They will compete for labour, they will compete for fertilizer, they will compete for energy. So this is something we need to worry about. The more energy we produce from agriculture, the less food we will produce.

There will be significant cuts in grain yields because drought is going to spread in a whole lot of areas around the world, so that's another factor which is reducing the amount of food we can produce at a time when we need to be doubling it."

**Ms Ong:** "Leaders from the G-8 nations will turn their attention to the global food crisis and world hunger during their annual summit in Italy this week. They're expected to discuss codes of conduct for foreign investments in large-scale farmland which was most significant after last year's food crisis and has been termed 'land-grabbing'."

**Prof. Cribb:** "Big, rich and powerful countries that cannot feed themselves, whether in the Middle East or here in Asia, will start buying up farmland in other countries where the farmland is cheap and the labour is cheap, and use it to produce food to stabilize their own situation."

**Ms Ong:** "FAO's Assistant Director-General and Regional Representative for Asia and the Pacific, Dr He Changchui, points out that such foreign investment is necessary for sustainable agri-

cultural development. But he also stresses."

**Dr He:** "The principle is that we should make sure that this is a joint venture; it's mutually beneficial; (only) then it's sustainable."

**Ms Ong:** "With the global population rapidly expanding and expected to top 9 billion by 2050, experts warn feeding everyone is going to be extremely difficult. Can we expect more food-related violence to break out in the near future?"

**Prof. Cribb:** "I think that food price increases are very likely. Further food crises are likely to erupt continually over the next 40 or 50 years. You are going to see collapses in the food production systems in some critical grain bowls around the world, such as the north Indian grain bowl, possibly the north Chinese grain bowl, the Middle East, Central Asia, Africa. There are all sorts of places where people will not have enough potential to feed themselves."

**Ms Ong:** "World leaders are recognising the potentially explosive nature of the food issue. More than sixty percent of the world's over 1 billion hungry people are in the Asia-Pacific region. Many people will naturally blame this trend on inadequate food supplies. But Dr Kinlay suggests otherwise."

**Dr Kinlay:** "One thing we know is that the food crisis is not really a question of there not being enough food. Globally there's enough food. It's a question of

the poorer and weaker sections of society not being able to access that food.”

**Ms Ong:** “World Bank President Robert Zoellick agrees. He points out that the problem of ensuring an adequate supply of affordable food has been compounded by the economic downturn.”

**Dr Zoellick:** “In the developing world actually, the food prices remain pretty high. (It’s) still about fifty percent above the level over the couple of years coming into the crisis. And now it’s combined with the problem that people are losing their jobs so they don’t have the income to buy food, so we’re seeing real concerns about malnutrition as well as high food prices.”

**Ms Ong:** “Meanwhile, analysts say the rise in world food prices to historic highs last year has highlighted the chronic underinvestment in agriculture in developing countries where three-quarters of the poor live in rural areas. International development group Oxfam said this week that agricultural assistance by the G8 fell from 20 billion US dollars a year in the 1980s to around five billion in 2007. Prof. Cribb says this simply means more people will not have the capacity to feed themselves in the future.”

**Prof. Cribb:** “Because water is drying up, farmland is being engulfed by cities or is blowing away, we’re running out of fertilizers, we’re running out of fossil energy – most of our food is produced with fossil energy, and we’re running out of science,

because the world has taken its foot off the accelerator as far as agricultural research is concerned.”

**Ms Ong:** “The G-8 summit will discuss an injection of up to 15 billion US dollars over three years for sustainable agricultural development to accelerate the shift from food aid to supporting farming in developing nations to boost food output to ease the global food crisis. But is it sufficient, or effective? Dr He acknowledges that the plan may not be enough and suggests a ‘twin-track approach’. On the one hand, there is need to boost food production.”

**Dr He:** “FAO has estimated that for a total eradication of hunger, the world would need at least 30 billion US dollars per year to be invested in (the) agricultural sector, for better infrastructure, more machinery, more implements, tractors, water pumps, combined harvesters etc., as well as for more skilled and better trained farmers.”

**Ms Ong:** “On the other hand, Dr He says more emergency food

aid is needed in view of the alarming rise in the number of hungry people.”

**Dr He:** “I think to be effective, we need donor support, we also need all stakeholders to work together. Most importantly, it is time for us to put in place a more cohesive and effective system of governance of world food security.”

**Prof. Cribb:** “Whether or not it’s effective we don’t really know until they’ve spent the money. It has to go into the countries that are now starving. It cannot be wasted in administration and, you know, spent on domestic production of farm equipment, as it very often is. We’re currently spending 1.3 trillion (US) dollars a year on weapons. But we’re only spending about 30 billion dollars a year on agricultural science.”

**Ms Ong:** “These are complex issues that will require long-term cooperation and dedication by the international community. But hopefully, the G8 proposal will take the world one step closer to the solution.”

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