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REGIONAL OFFICE FOR ASIA AND THE PACIFIC

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FAO food price index at record high

As 2010 drew to a close, international food prices soared close to their highest levels ever on weather- and natural disaster-linked supply concerns with the **FAO Food Price Index** at a record high of 215 in December 2010, above its last peak of 213 points in June 2008.¹ Prices of nearly all agricultural food commodities increased sharply; some, such as sugar, even exceeded their previous peaks, while others were getting dangerously close to their all-time highs. Unprecedented drought conditions in Russia, floods in Pakistan, untimely rains in Europe, excessive wet conditions in Canada, the United States and Australia, affected international food markets. The **FAO Cereal Price Index**, comprising rice, wheat and maize prices, rose to 238 points in December 2010, its highest level since August 2008 but still 13 percent (or 36 points) below its peak in June 2008.²

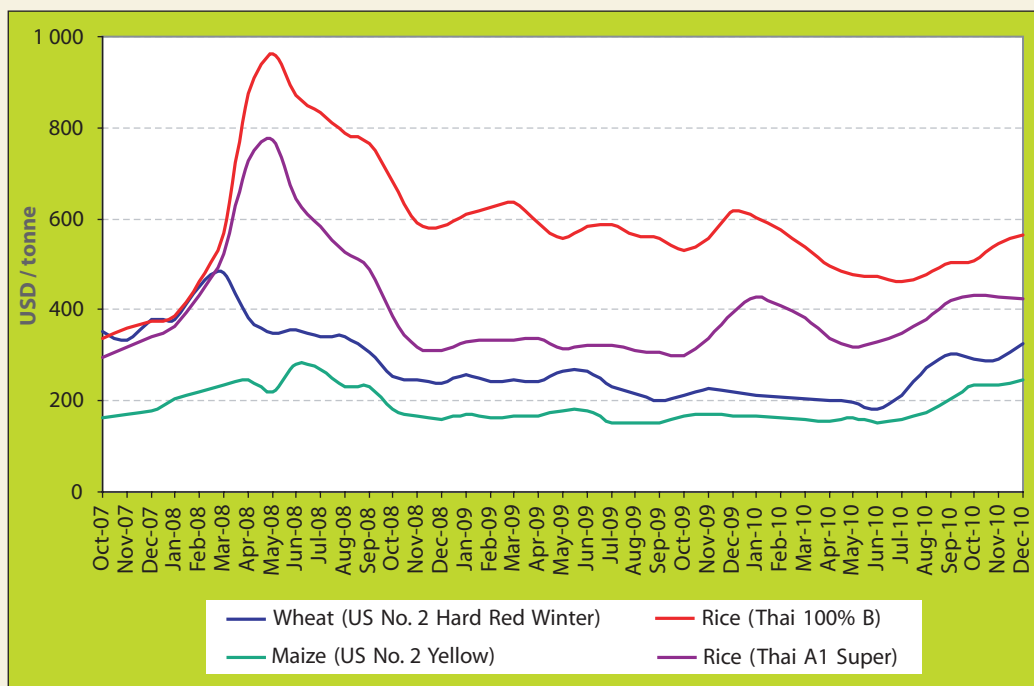
Wheat prices saw the biggest gain with the reference US No.2 Hard Red winter wheat at US\$325 per tonne in December 2010, about 12 percent more than in November and nearly 70 percent above its July 2010 price (see Figure 1). World wheat prices were affected by unusually wet weather in Australia which reduced the crop quality as well as unfavourable weather conditions for the 2011 winter crop in key producing countries.³ However, the wheat price in December 2010 was below its pre-food crisis level in October 2007 (see Figure 1). Coarse grain prices rose to their mid-2008 peaks with US No.2 Yellow maize at US\$245 per tonne in December 2010 which was more than 50 percent above both the July 2010 and October 2007 prices (see Figure 1).

¹ Food price indices, FAO <http://www.fao.org/worldfoodsituation/FoodPricesIndex/en/>

² Ibid

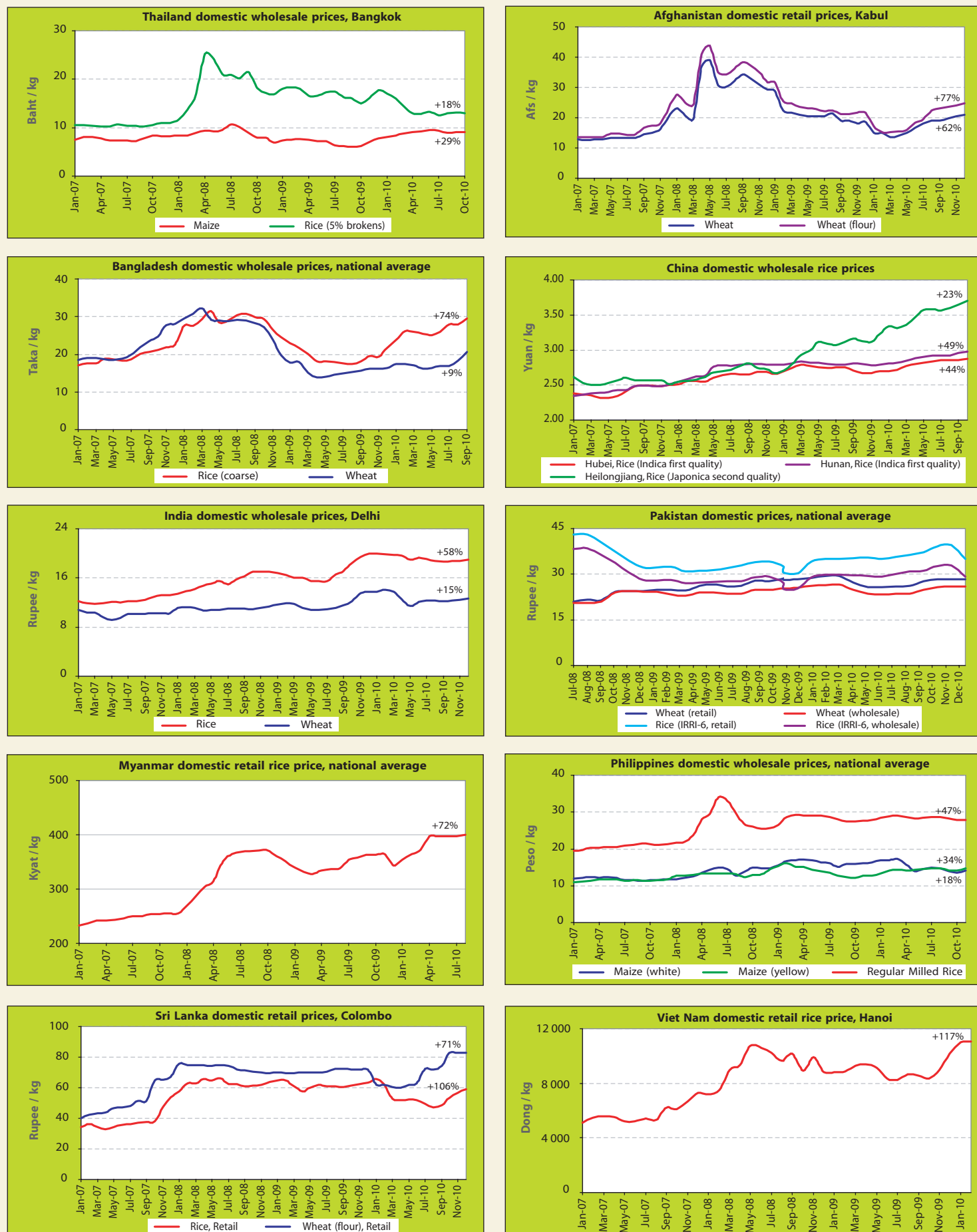
³ Ibid

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
(Percentages indicate changes in prices from pre-crisis levels in January 2007)

After stabilizing in October, international rice prices rose in November and December with the benchmark Thai 100%B at US\$566 per tonne in mid-December, close to the high levels at the beginning of the year, and 68 percent above its October 2007 price (see Figure 1). Rice export prices were supported by a downward revision for 2010 forecasts for Asian rice harvests following the unprecedented drought and floods in major producing nations. In late November, FAO lowered its 2010 global paddy production estimate by about 6.5 million tonnes to 697.9 million tonnes, equivalent to 465.4 million tonnes of milled rice, although this would still be some 2 percent over last year's harvest.⁴

Reduced paddy harvests were projected for **Cambodia**, the **Republic of Korea**, **Myanmar**, **Pakistan** and **Thailand**.⁵ Rice production in the Republic of Korea was reported to have fallen to its lowest level in 30 years as a result of heavy rains and decreased plantings. Domestic rice prices also rose across Asia, particularly in **Bangladesh**, **India**, **Indonesia**, **Sri Lanka**, **Thailand** and **Viet Nam**.⁶

In its latest global food assessment, FAO warned that although international rice stocks were more than adequate, prices of Asia's staple cereal could be affected by anticipated global supply shortfalls in wheat and coarse grains with total 2010 world cereal output projected to shrink by 2 percent.⁷ Global cereal stocks were projected to fall by 7 percent next year with barley supplies contracting by 35 percent,

maize by 12 percent and wheat by 10 percent.⁸

Food shortfall affects 5 million people in North Korea

About 5 million people face food shortages in the **Democratic People's Republic of Korea** (DPRK), according to a recent joint food security assessment mission to the country by FAO and the World Food Programme (WFP). The mission's report⁹ released in mid-November said DPRK needs about 300 000 tonnes of international food assistance. The FAO-WFP team visited seven of the country's 10 provinces which together account for 90 percent of the DPRK cereal crop. In recent years, cereal production in DPRK has stagnated at about 4.5 million tonnes against the estimated annual need of 5.35 million tonnes, the mission noted. It has recommended improvement of food storage facilities and grain drying methods, increased production of high-protein legumes and a national policy to promote development of home gardens in the country.

Food security, market and policy developments in the region

The worst floods in half a century affected key rice growing areas in **Thailand**, damaging 1.3 million tonnes of the main 2010-11 paddy crop, the Office of Agricultural Economics (OAE) estimated. Thailand's 2010-11 output was projected at about 31 million tonnes, slightly less than in the previous year. However, Thai rice exports picked up with the Department of Foreign Trade estimating 8.2 million tonnes having been shipped between January and the first week of December 2010, compared to 8 million tonnes for the same period last year. Thai rice

exporters were reported to have begun shipping 230 000 tonnes of 5% white rice to Indonesia to be delivered by January 2011. Foreign buyers, largely from Africa, reportedly concerned over future supply constraints due to the floods, also rushed their orders for Thai rice. Japan was reported to have placed orders for Thai rice in November and December as part of its WTO (World Trade Organization) commitment to ensure minimum market access to rice-exporting nations.

Rice exports hit an unprecedented high in **Viet Nam**, the world's second largest exporter, with Ministry of Agriculture and Rural Development estimating 6.88 million tonnes shipped between January and late December 2010, 15.4 percent more than last year. Half a million tonnes of rice was shipped in December 2010. A sharp increase was reported in Viet Nam's rice exports to Indonesia in 2010. In the last week of the year, the export price-setting Vietnam Food Association lowered the price of 5% broken rice by US\$20 to US\$520 per tonne but hiked the price of 25% broken rice by US\$10 to US\$490 per tonne, nearly US\$50 above its mid-October price.

More than 250 000 people faced food insecurity in western **Myanmar** after *Cyclone Giri*, which hit the region in late October, just before the paddy harvest, caused heavy damage to the rice crop, the UN Office for the Coordination of Humanitarian Affairs (OCHA) said.¹⁰ FAO estimated the cyclone had damaged almost half of rice fields in the worst hit Rakhine State.¹¹

Cambodia anticipated its 2010 rice harvest to be the biggest in the last 10 years at 8 million tonnes, exceeding the official target of 7.3 million tonnes. The Agriculture Ministry attributed the good yield,

⁴ *Rice Market Monitor*, November 2010 <http://www.fao.org/docrep/013/am016e/am016e00.pdf>

⁵ Ibid

⁶ *Global food security review*, December 2010 <http://www.fao.org/giews/english/shortnews/UFSS101213.pdf>

⁷ *Food Outlook*, November 2010 <http://www.fao.org/docrep/013/al969e/al969e00.pdf>

⁸ Ibid

⁹ *FAO/WFP crop and food security assessment mission to the Democratic People's Republic of Korea* <http://www.fao.org/docrep/013/al968e/al968e00.pdf>

¹⁰ <http://www.irinnews.org/Report.aspx?ReportID=91090>

¹¹ Ibid

despite droughts and floods in some areas, to the use of quality seeds, increased plantings, dry season farming and improved farming techniques. The Government also obtained parliamentary approval to boost agricultural investment aimed at promoting Cambodia's rice exports.

Indonesia was to waive rice import duties for a short period starting in December 2010 to help stabilize domestic prices. The state logistics agency Bulog was reported to have struck deals to purchase the maximum amount of rice overseas since 1999. After two successive years of rice self-sufficiency, Indonesia returned to the international market as stockpiles fell below minimum food security levels. Between July and December 2010, the price of the staple IR64-3 rice was reported to have increased by 14 percent in Jakarta. The Government also launched a countrywide campaign to encourage dietary diversification away from the staple rice to promote public health and food security.

National rice stocks in the **Philippines** estimated at 3.79 million tonnes at the start of November 2010 were deemed sufficient to meet domestic demand for 111 days. The 2010 rice output was projected at about 16 million tonnes against the targeted 17.4 million tonnes. The Philippines, the world's leading importer of the cereal, aimed to be self-sufficient in rice by 2013 by improving productivity and harvested area. Average wholesale and retail prices of the staple regular milled rice registered slight increases in mid-December across the Philippines with an average retail price of P 30.4/kg.¹²

Double digit food inflation returned to **India** towards the close of the

year. The Government banned export of onions and extended a four-year-old ban on pulses export. The surge in onion prices, which in the past has triggered public protests, saw retail prices almost double in the Indian capital in the third week of December. However, national cereal stocks were considered adequate. Senior agriculture ministry officials were quoted saying in late December that 2010-11 foodgrain production could surpass the 2008-09 record due to increased cultivation in the current winter cropping season. The Government in Delhi faced demands from governments in key rice producing states with abundant paddy harvests, to lift the over two-year-old ban on non-basmati rice exports. New Delhi took up with Brussels, charges that private importers in European Union (EU) were using non-tariff barriers to reject Indian agricultural exports including basmati rice, citing pesticide residues in excess of EU norms, the Indian junior commerce minister told Parliament.

Bangladesh, the leading South Asian food importer, was reportedly planning to import the largest quantity of rice in over a decade after Government agencies failed to procure sufficient amounts locally for national food reserve stocks. This included 200 000 tonnes from Cambodia. The foreign ministers of Cambodia and Bangladesh were reported to have discussed Bangladeshi investment in rice farming in the Southeast Asian country for exports back to Bangladesh. Cambodia also sought investment from the South Asian nation in rice processing facilities in Cambodia.

Sri Lanka's 2010 paddy harvest was estimated at a record over 4 million tonnes, 15 percent more than in 2009. The Government released rice

from its stocks to stabilize prices which rose sharply towards the close of the year although these were still 11 percent below December 2009 (see Figure 2). Wheat retail prices touched unprecedented highs as a result of government policies to reduce wheat consumption, which included resumption of taxes on wheat imports. The wheat retail price of Rs 82.7/kg in the capital Colombo in December was more than double that in January 2007 (see Figure 2).

Wheat and wheat flour retail prices in the **Afghanistan** capital increased slightly over November and December 2010, and were 77 and 62 percent respectively over their pre-food crisis level in January 2007 (see Figure 2). The UN World Food Programme was reported to have reached an agreement with authorities to purchase wheat locally for its feeding programmes covering more than 500 000 people in Afghanistan. Local procurement of the cereal would enable WFP to respond quickly to food shortages affecting a million Afghans after floods in neighbouring Pakistan disrupted wheat supplies from that country.

In **Pakistan**, wheat prices were little changed in November and December, but prices of the staple IRR1-6 rice fell sharply (see Figure 2). In early December, the Government allowed wheat exports which were suspended after the severe floods in August. Pakistan exported over 1.5 million tonnes of rice between July and mid-December 2010, more than the same period in 2009. The Rice Exporters Association of Pakistan expected 2010-11 rice exports to reach 4 million tonnes, about 1 million tonnes more than estimated after the destructive floods. The floods were reported not to have affected the rice crop in Punjab province which accounts for more than half of total national rice production.

¹² <http://www.bas.gov.ph/>

Italy supports farm production and diversification to boost rural incomes in north Bangladesh

The Government of **Italy** has given US\$2.9 million in grant assistance to boost rural incomes and food security in Mymensingh and Sherpur districts in north **Bangladesh**. The four-year project, to be implemented by Bangladesh's Ministry of Agriculture with FAO technical support, will work to increase agricultural production, diversify sources of household incomes and improve marketing links. It aims to increase average beneficiary household income by at least 25 percent through individual and group enterprise promotion and developing market infrastructure such as community agri-malls. "The project will strengthen capacities of farmers, with particular attention to women-headed households, and of the extension services to develop innovative ways to reduce poverty and hunger", said Ad Spijkers, FAO Representative in Bangladesh.

Pacific island countries to improve agriculture data collection for enhanced food security

Lacking adequate statistical information on the sector, Pacific island countries will expand and improve data collection on agriculture production and trade for effective decision-making. Decisions regarding the agriculture sector have a crucial role in promoting economic growth and social stability in the region where farming is still the main livelihood while growing reliance on food imports has heightened vulnerability to international food and fuel price shocks. An FAO study¹³ found that decision-makers in the Pacific islands have limited access to basic statistical data on agriculture. The study assessed national capacities to produce and use data for monitoring agricultural production trends, and understanding local food and labour markets in the **Federated States of Micronesia, Kiribati, Samoa, Solomon Islands, Tonga** and **Vanuatu**.

FAO global anti-hunger campaign draws record public support

More than 3 million people have endorsed FAO's call to nations to act urgently to end global hunger. The petition, with signatures collected from around the world through FAO's *1billionhungry* campaign, was presented to governments at a ceremony at FAO headquarters on 30 November. Popular support was mobilized worldwide through an online campaign at www.1billionhungry.org/ and public events involving international celebrities, famous athletes, entertainers and intellectual leaders. The Presidents of **Argentina, Brazil**, the **Dominican Republic, Guatemala, Honduras, Rwanda** and the Prime Minister of **Nepal** also signed the petition.

¹³ *Agriculture Data — Report on a Scoping Study in Six Pacific Island Countries*, 2010, FAO Subregional Office for the Pacific Islands <http://www.faopacific.ws/Publications/Reports/tabid/4437/language/en-US/Default.aspx>

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