



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
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Food prices climb for the first time since July

A sixth-month downward slide in food prices came to an end in January as the FAO Food Price Index rose for the first time since July 2011. FAO analysts cited poor weather as the possible main factor. The Index stood at 214, a 4 point or 2 percent increase over December. Nonetheless, food prices were still 7 percent below the levels recorded in January 2011. The increase was propelled by rising prices in every commodities group measured by FAO, with oils and fats recording the largest increases.

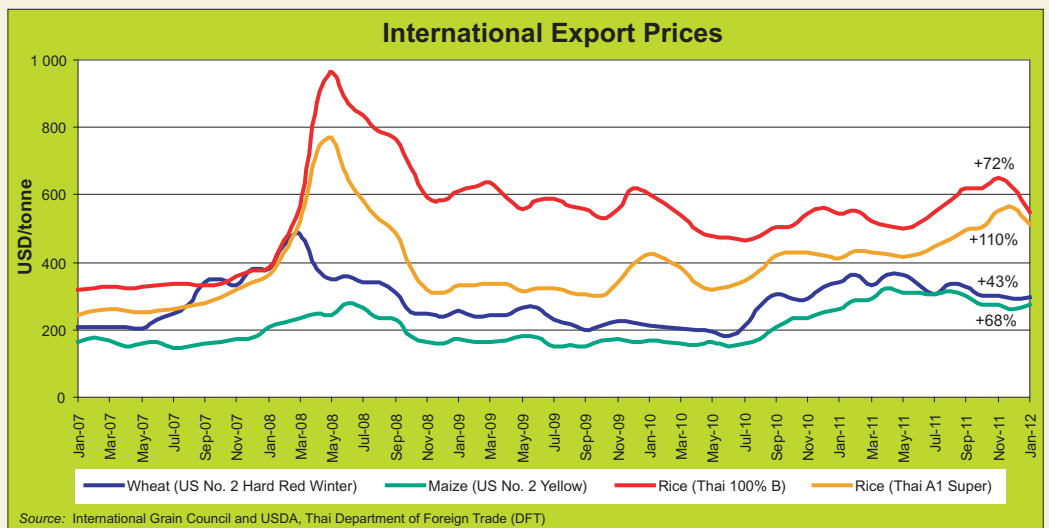
"Different factors are at play in each of the commodity groups," said Senior Grains Economist Abdolreza Abbassian, who mentioned bad weather in Europe and South America among several reasons. "But the increase, despite an expected record harvest and an improved stocks situation, and after six months of falling or stable prices, highlights the unpredictability prevailing in global food markets."

Cereals often have the most significant impact on overall food prices, and the FAO Cereal Price Index climbed by 2.3 percent in

January, averaging 223 points. Maize and other coarse grains showed the biggest price gains, rising by 6 percent on tight global supplies and concerns over crop prospects in South America. Wheat was up 1.5 percent on fears of depleting export supplies from the **Russian Federation** and bad weather in other regions. Rice prices, on the other hand, fell by 3 percent on seasonal harvests and strong competition among producing countries. Rice has been trending downward since November.

Strong demand for palm and soy oils drove the FAO Oils/Fats Price Index up 3 percent. The FAO Dairy Price Index inched up 2.5 percent reversing a five-month downward trend. Sugar also was up, as the FAO Sugar Price Index increased by 2.3 percent points, although sugar is 20 percent cheaper than in January 2011. Good harvests in the **EU, India, the Russian Federation** and **Thailand** blunted concerns over bad weather in **Brazil**, the world's largest sugar producer. The FAO Meat Price Index rose by just one half of a percent since December. Although the price of chicken fell, pig meat prices rose by 2.8 percent as traders expected import demand from **China** would be strong.

Figure 1: Selected international cereal prices



Domestic prices largely stable in January

Prices for rice, wheat and cooking oils were generally stable around the region during January, while prices for chicken rose in several countries, and some edible root prices fell in Pacific Island nations. In **Cambodia** the price of rice was down 8.6 percent from one month ago, and 22.2 percent from one year ago. **Afghanistan** saw rice prices rise by 4.5 percent, **Indonesia** by 3.6 percent, **Sri Lanka** by 3.2 percent, **Viet Nam** by 3.6 percent, and basmati rice in **Pakistan** by 7.5 percent.

Wheat prices were largely unchanged in most countries in the region except **India** where the price shot up by 4.9 percent from one month ago, **Bangladesh** where it rose by 5.5 percent, and **Myanmar** where it rose by 5.8 percent. **Afghanistan** saw its maize price rise by 5.7 percent and its chicken prices rise by 15.5 percent. Chicken prices in **Bangladesh** increased by 16 percent from a month ago, and 36 percent over three months, while soybean oil went up

by 9.4 percent over three months. In **Cambodia**, chicken prices climbed by 4.5 percent during the past month, and by 9.5 percent in **Indonesia**. Information was not available on chicken prices in India, but at the end of January a new outbreak of Avian Influenza was reported and culling of poultry had begun. Although chicken prices in **Lao PDR** were steady during the month, they were 28.6 percent higher than one year ago. **Myanmar** maize prices were up 15.6 percent, and soybean oil soared by 19.3 percent over prices a month ago. In **Thailand**, pork prices fell by 6.4 percent in a month, but in **Viet Nam** they rose by 11.2 percent.

In the Pacific island nation of **Fiji**, the price of corn fell by 26.5 percent in one week after rising by 4.9 percent a week earlier. Over the past month, the price has fallen by more than 18 percent. Cassava was up 5.3 percent over the previous month, but daro tausala taro, an edible root and a dietary staple, fell by 40.4 percent from a month earlier. In **Samoa**, taro prices dropped by 15.9 percent during the month, but the

price of ta'amu, another edible root, skyrocketed by 511 percent. Bananas fell by 24.7 percent.

Asian output drives global rice production to new record

Improved crop prospects in Asia have prompted the FAO to forecast that a new record will be set for global rice production when final figures are tallied for 2011. FAO revised its forecast upwards by 700 000 tonnes on January 31, and said rice production should reach 721 million tonnes (418 million tonnes on a milled basis), an increase of 3 percent or 21.4 million tonnes over 2010.

Improved output from Asia was the key factor in the higher forecast. Total paddy production is expected to be 653 million tonnes, 3 percent higher than 2010 totals and something of a surprise considering the devastating floods that struck much of mainland Southeast Asia in 2011. Countries whose outputs improved considerably include **Bangladesh, China, India, Pakistan** and **Viet Nam**. On the other hand, production was expected to

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

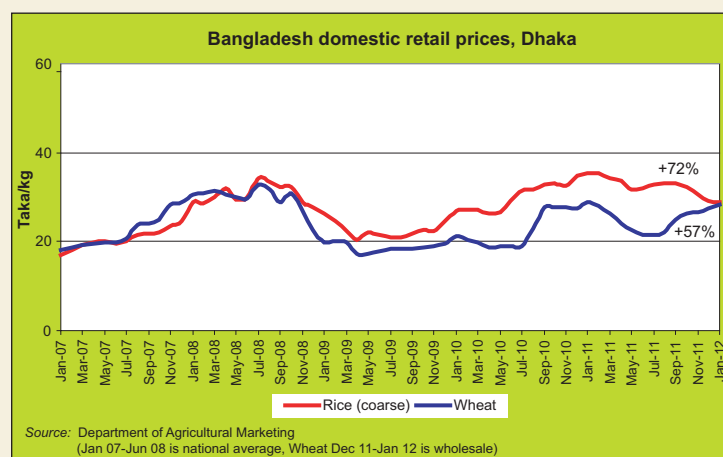
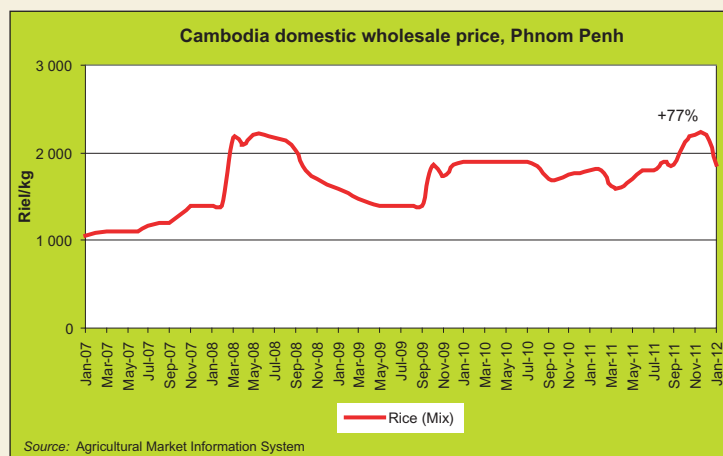
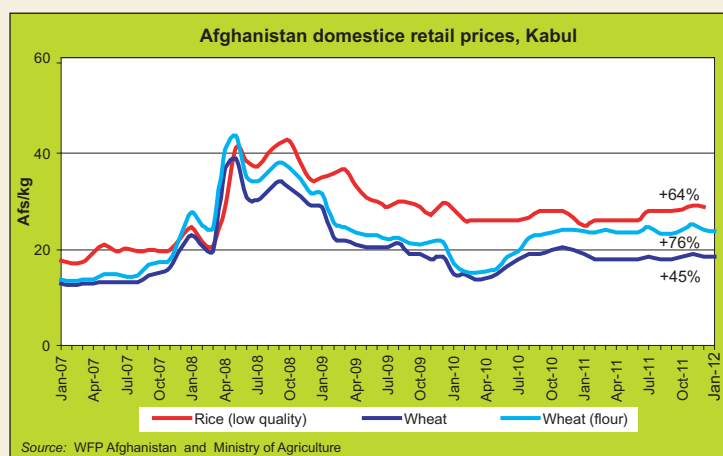
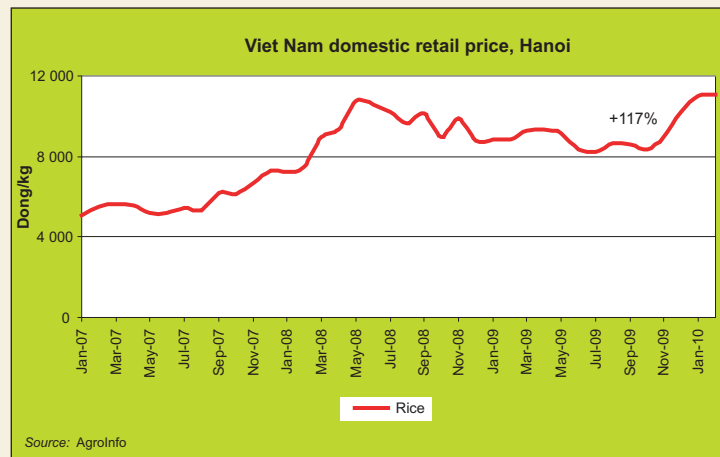
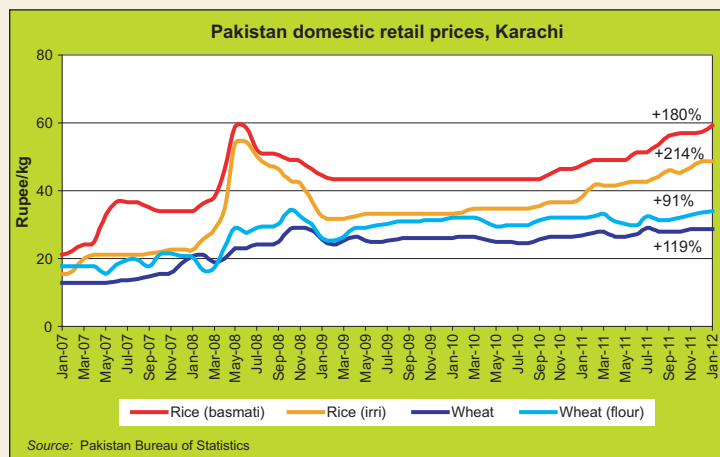
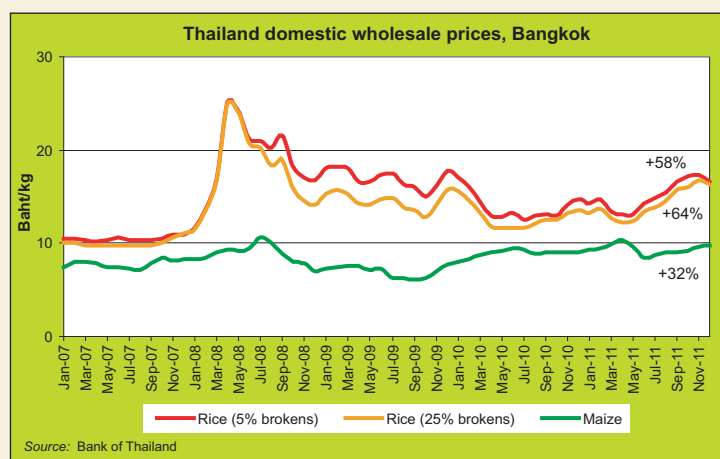
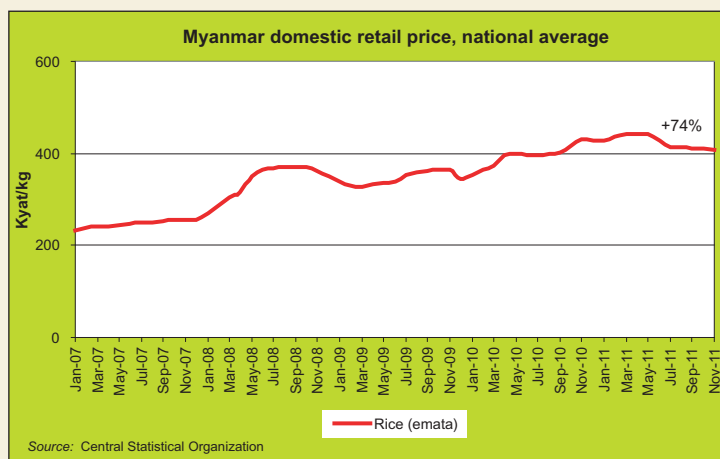
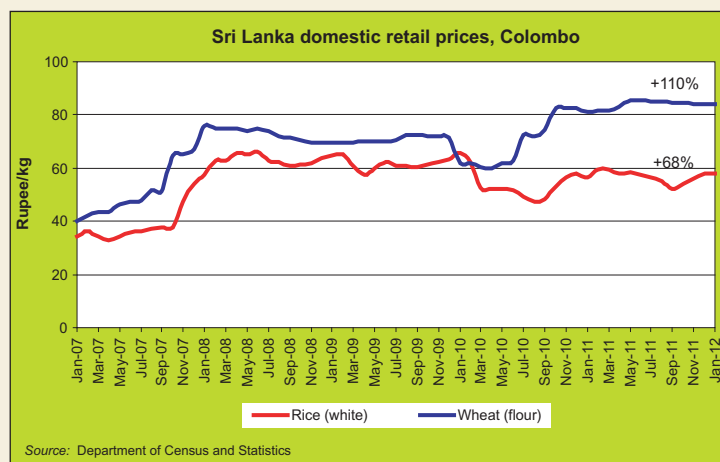
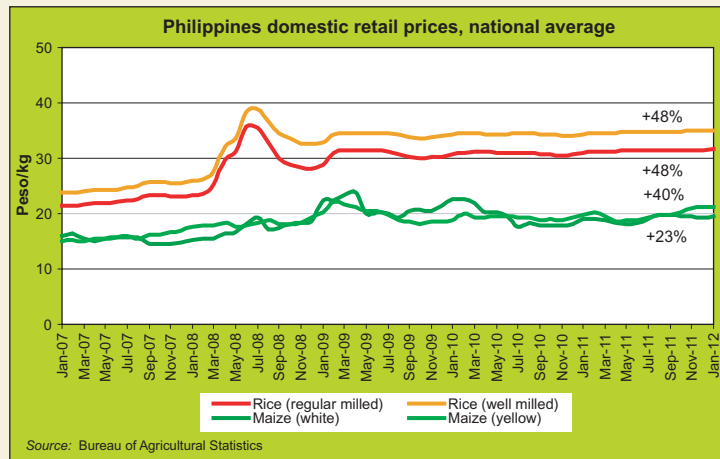
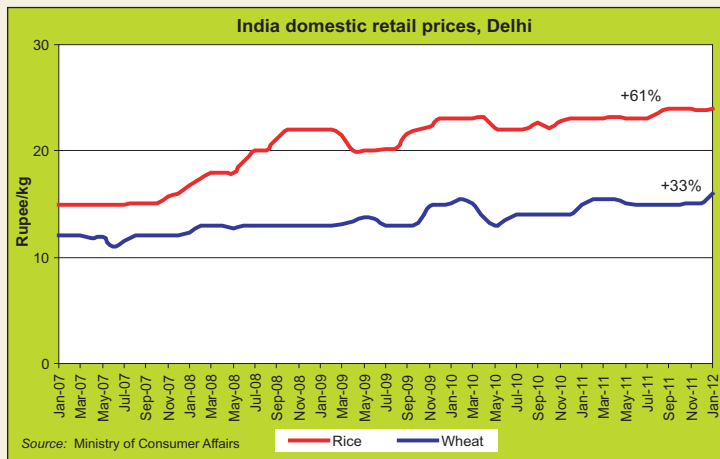


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



decline in **Indonesia, Japan, the Republic of Korea, Myanmar, Sri Lanka and Thailand**, all of whom experienced adverse weather conditions.

FAO is forecasting a fall in the global rice trade in 2012. The UN agency said total rice traded in 2011 should be 32.8 million tonnes, a one million tonne, or 5 percent drop from the record set in 2011 of 34.5 million tonnes. Going against the trend, **Cambodia, China and Pakistan** will probably increase shipments this year. But several countries in Asia are expected to import less rice in 2012, including **Bangladesh, Indonesia, Nepal and the Philippines. Thailand**, the world's leading rice exporter, is also expected to see a contraction in shipments because of high prices related to the government's rice support programme. That programme helped push the price of the industry benchmark Thai White 100 Percent B Second Grade to a high of USD 649 a tonne in November, with the price falling to USD 628 a tonne in December. January saw a sharp decline in the price to USD 548 a tonne, leaving it just USD 6 higher than the price in January 2011.

FAO chief urges education to end food waste

Education about food and nutrition is urgently needed to end massive food waste in developed countries, FAO Director General Jose Graziano da Silva told a meeting in Berlin of agriculture ministers from 64 countries in late January. Consumers in developed countries throw away 220 million metric tonnes of food each year, more than all the food produced in sub-Saharan Africa.

"We need to urgently put in place food and nutrition education programmes to help families eat better. We teach people everything including how to drive, why not teach people what and how to eat," Mr. Graziano da Silva said. Consumers in wealthier countries depend too much on processed foods and have lost what he called "grandmother's knowledge" on how to cook and what is nutritious. If developing countries adopted the eating and food waste patterns of wealthier countries, Mr. Graziano de Silva added, there would be an unsustainable demand on natural resources. Sustainability is not an issue

just in food production, but also in consumption. "Waste less," he urged.

Bill Gates calls for greater crop productivity

Microsoft founder and philanthropist Bill Gates is calling for productivity gains in crops such as cassava, which hold little interest for multinational food corporations but matter to small-scale farmers, especially in the developing world. The Bill and Melinda Gates Foundation has donated huge sums to eradicate diseases in developing countries. In an annual review, according to the Washington Post, Gates urged his foundation to focus on research into basic crops such as cassava, sorghum and millet, saying it could lead to a new "green revolution" of productivity gains. This could lead to greater self-sufficiency in food for developing nations and cushion the poor against food price shocks.

Nigeria, Thailand and Indonesia are the world's largest producers of cassava while Thailand is by far the world's largest exporter of dried cassava and cassava starch.

India to continue wheat and rice exports

India will continue to export wheat and non-basmati rice for the foreseeable future although it has passed an export volume threshold that mandated a policy review, according to Infobanc, an India-based trade web portal. An export ban on wheat and non-basmati rice was lifted in September 2011, but the government said it may stop exporting the grains once shipments of each reached 2 million tonnes. But a record grain output of 241.5 million tonnes in the 2010-11 growing year (July to June) has allowed the government to store nearly double its stocks requirements for public welfare programmes. To clear storage for incoming crops, Food Minister Sharad Pawar said the government will allow exports to continue for the time being, according to Infobanc. India hopes to harvest 245 million tonnes of grain this year. The central government, meanwhile, has requested that state governments streamline grain procurement, storage and distribution,

estimating that improved logistics could save USD 1.4 billion per year.

Rising prices of food imports fuelling Cambodian inflation

Despite a drastic reduction in the volume of Cambodia's food imports during 2011, the rising prices of those imports were a key driver of inflation in the country, the Phnom Penh Post newspaper reported. Food imports fell by 67 percent, from 769 993 tonnes in 2010 to 254 080 tonnes in 2011, according to the Ministry of Commerce. The value of those imports rose, however, by 18 percent, from USD 134 million to USD 158 million. Annual inflation was 5.5 percent in 2011, according to the Ministry of Finance, up 1.5 percent over 2010. Domestic food production is too low to meet consumer demand, and so Cambodia must import food from neighbouring and nearby countries. Rising prices in those countries prompted Cambodia to import fewer goods.

Cambodia, nonetheless, saw a 111 percent increase in its own exports of cassava in 2011. Increased international demand and rising prices spurred the country's farmers to plant more cassava. Exports of cassava totalled 277 291 tonnes worth USD 12.4 million, compared to 131 312 tonnes worth USD 4 million in 2010. Prices have already been falling on oversupply, however, and according to the Phnom Penh Post, in January Thai border authorities temporarily banned imports of cassava from Cambodia, although the ban is expected to be lifted soon.

Prime Minister Hun Sen, meanwhile, has lifted a ban on fish exports, overruling a ban imposed by the Tonle Sap Authority, which oversees the conservation and management of the country's great lake and river. The Authority had imposed the ban to boost supplies to the domestic market, but that move was opposed by the Ministry of Agriculture, Forestry and Fisheries (MAFF) and local fish exporters. The Ministry asked Hun Sen to intervene. Cambodia's fisheries sector is still small, with only eight companies licensed to export. Exports totalled 30 000 tonnes in 2011, bringing in about USD 60 million. Total fish production was 600 000 tonnes. The government is

aiming to produce 1.2 million tonnes by a year by 2019, but MAFF officials said USD 78 million in investments would be needed to achieve the target. At least USD 7 million a year is needed for projects such as aquaculture and hatching stations. The ministry's annual budget for the fisheries sector is USD 1 million, but the European Union will provide a five-year grant of USD 34 million to the sector starting next year.

Lao PDR firm on rice target despite flood damage

Despite flood damage from two tropical storms in 2011, the government of Lao PDR is holding to its original rice production targets this year and counting on increased productivity from farmers to achieve it, the Vientiane Times newspaper reported.

Lao PDR produced 3 million tonnes of rice last year, about 300 000 tonnes short of its target as Tropical Storms Haima and Nock-Ten battered the country in June and August, laying waste to 97 700 hectares of crop land. The government's target for this year is 3.66 million tonnes of rice. The Ministry of Agriculture wants farmers to plant 945 000 hectares of paddy, 2.77 million tonnes of which will be harvested in the wet season, and 700 000 in the dry season. Another 200 000 tonnes of upland rice will complete the total. The ministry has allocated about USD 12.26 million to improve irrigation systems, rice seed production and pesticide purchases, but only about USD 2.8 million has been

approved by the government so far. Ministry staff will promote new farming and fertilizer techniques to try and raise productivity to five tonnes per hectare.

Myanmar fish farms in decline, rice sales gain

The Myanmar fisheries sector desperately needs foreign investment and expertise, the general secretary of the Myanmar Fisheries Federation told the Myanmar Times newspaper. U Win Kyaing said that fish farms in Myanmar are on the decline. "Farmers are trying as hard as they can with the money they have and the techniques they know. We have more than 200 000 acres of fish ponds. Even though other business sectors have attracted foreign investment there is almost none in the fisheries industry," he said. Foreign investors could provide money, strategies, and crucial links to markets. Half of the fish feed factories in Myanmar have stopped operating, according to Dr. Thet Mhoo, secretary general of the Myanmar Aqua Feed Association, as farmers were reducing the number of fish they have been farming by as much as 80 percent.

Myanmar's rice exports may get a boost, however, as Indonesia has signed an agreement to purchase rice from the country, and Japanese automotive giant Toyota is also offering to buy Myanmar rice. Indonesia's state agency Bulog has signed a memorandum of understanding with the Myanmar Rice Industry Association (MRIA) to buy as much as 200 000 tonnes of 5 percent

broken rice from Myanmar per year. The length of the agreement was not reported, the government had previously announced that it would not import rice in 2012 because stocks were already sufficient. A Bulog official told the Jakarta Post newspaper that a decision on imports for this year has yet to be made. Bulog imported 1.9 million tonnes of rice from Thailand, Viet Nam and India in 2011, but with the price of rice from Thailand rising, the agency has said it is interested in sourcing more rice from Myanmar, among other countries. Toyota, meanwhile, has offered to buy 300 000 tonnes of high quality rice from Myanmar, according to the Myanmar Rice Industries Association. Most of Myanmar's rice exports consist of low-quality rice sold to West African countries, but the MRIA believes the industry should focus on finding more buyers for high-quality Myanmar rice.

Four countries leave low-income food deficit countries list

Pakistan, Turkmenistan, Tuvalu and Vanuatu have been removed from the FAO's list of low-income food deficit countries (LIFDC), according to an FAO memorandum in January 2012. There are now 66 countries on the list. The organization said the classification is for analytical purposes. A total of 23 countries in Asia and the Pacific are on the list. Pakistan graduated from the list because of its food export position, while the other three displayed a rise in incomes.

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