



HIGHLIGHTS

- The pace of general and food inflation in the region in June was estimated at 2.5 and 2.4 percent, respectively.
- Prices for limes in the Philippines and Thailand fell by 5.3 percent and 53.5 percent, respectively, in June, but rose by 10.6 percent in Sri Lanka.
- Prices for fresh vegetables in China have been fluctuating less on the season's more plentiful supplies, except for tomato and kidney beans.
- Seafood prices in Bangkok wholesale markets have been largely unaffected despite new regulations against IUU fishing that have kept thousands of ships in port.
- The 12 nations of the Trans Pacific Partnership will meet in Hawaii at the end of July to try and finalize negotiations on the trade agreement that could boost agricultural trade.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

General inflation in the region is estimated to have increased by 2.5 percent, and food price inflation increased by 2.4 percent in June compared to June 2014.

In June, general inflation in Bangladesh rose by 0.2 percent, but food prices were stable. Consumer prices registered no change in China in June, although food inflation edged down by 0.1 percent as a 1.6 percent rise in meat prices was offset by a 7.8 percent fall in fresh fruit prices.

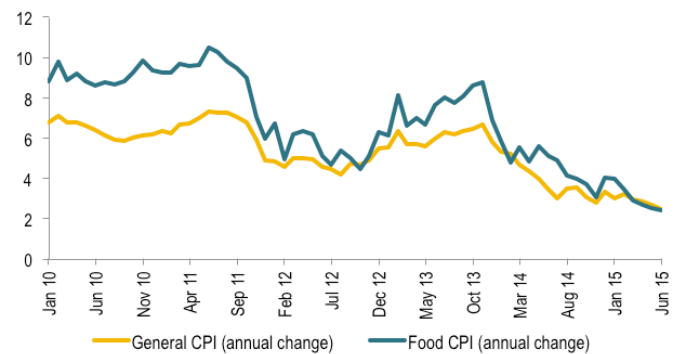
General inflation in Indonesia was up 0.5 percent, but food price inflation ran at a 1.6 percent clip higher prices for red chilli, fresh fish, chicken, eggs and rice. In Pakistan, general and food inflation were up 0.6 percent as prices rose for potatoes, tomatoes and chicken.

General inflation in the Philippines increased by 0.1 percent, but food inflation fell by 0.1 percent. Samoa's general inflation increased by 0.3 percent and food inflation was up 2.2 percent. Sri Lanka's general inflation increased by 1 percent and food inflation rose by 1.8 percent. In Thailand, general and food inflation increased 0.1 percent. Viet Nam's general inflation increased 0.4 percent, but food prices were stable.

FOOD PRICES

The FAO Food Price Index averaged 165.1 points in June, down 1.5 points (0.9 percent) from May, and 44 points (21 percent) from June 2014. Sugar and milk prices led the declines. Higher sugar production in India and Thailand put downward pressure on prices, which fell 12.4 points (6.6 percent) from the previous month. Dairy prices declined by

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.

6.9 points (4.1 percent) reflecting ample supplies in New Zealand and Europe, and the Russian Federation's import ban.

Maize prices rose 2.4 percent on larger crops in Europe and South America, but were 15.8 percent lower than one year ago. Wheat prices increased by 4.6 percent in June, but were down 22.9 percent year on year as last year's exceptionally high yields were returning to average levels. Thai rice prices (white 100% grade B) declined 2.2 percent. Production prospects improved slightly, and carryover stocks are being off-loaded in the market, but the rice trade in 2016 is expected to remain virtually the same as 2015.

The **regional rice price index** increased by 1.2 percent in nominal terms in June and was 1.1 percent higher than one year ago. The real price of rice was 0.8 percent higher than in May, but 0.4 percent lower than in June 2014. The nominal price of rice declined in South Asia by 0.4 percent, but increased in India and Southeast Asia by 2.8 percent and 1.6 percent, respectively, compared to May. In East Asia, nominal rice prices remained unchanged from last month.

Year-on-year, nominal rice prices were 4.2 percent and 2.6 percent lower in South Asia and India, respectively, but higher by 5.4 percent and 3.7 percent in Southeast Asia and East Asia. In South Asia and India, real prices declined by 8.8 percent and 5.7 percent, correspondingly, followed by a 0.7 percent drop in Southeast Asia. East Asia's real prices for rice increased by 5.3 percent.

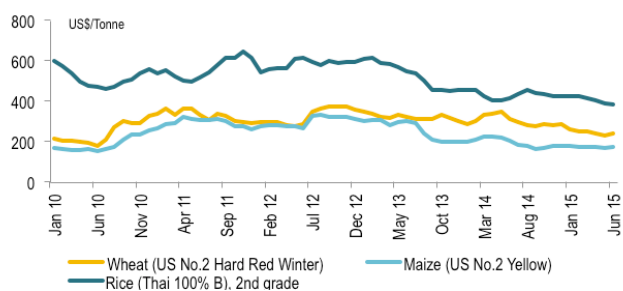
The **regional wheat price index** was just 0.1 percent higher than in May in nominal terms, and was 2 percent higher than a year ago. Month on month, South Asia's decline of 2 percent was offset by price stability in East Asia and increases in India and Southeast Asia of 1.3 percent and 0.2 percent, respectively. Year on year, nominal prices were down 4.1 percent in South Asia, with increases in East Asia, Southeast Asia and India of 5.3 percent, 1.7 percent and 1.1 percent, respectively.

Real wheat prices in the region fell 0.1 percent during May, but were 1.7 percent higher than one year ago. Prices fell 2.4 percent and 0.3 percent in South Asia and Southeast Asia, respectively, but increased 0.9 percent in India, while in East Asia real prices remained unchanged. Year-on-year real prices dropped by 9.4 percent in Southeast Asia, 2.3 percent in India and 1.4 percent in South Asia. Wheat prices increased in East Asia by 5.3 percent.

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.

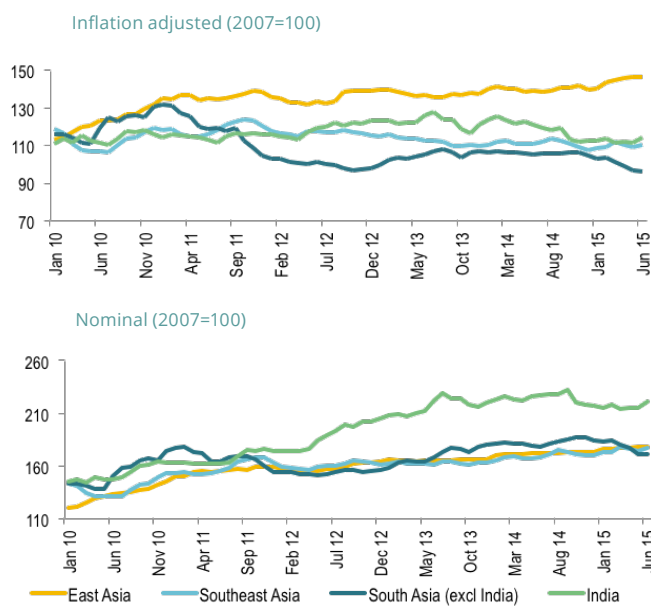
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia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

Global benchmark prices

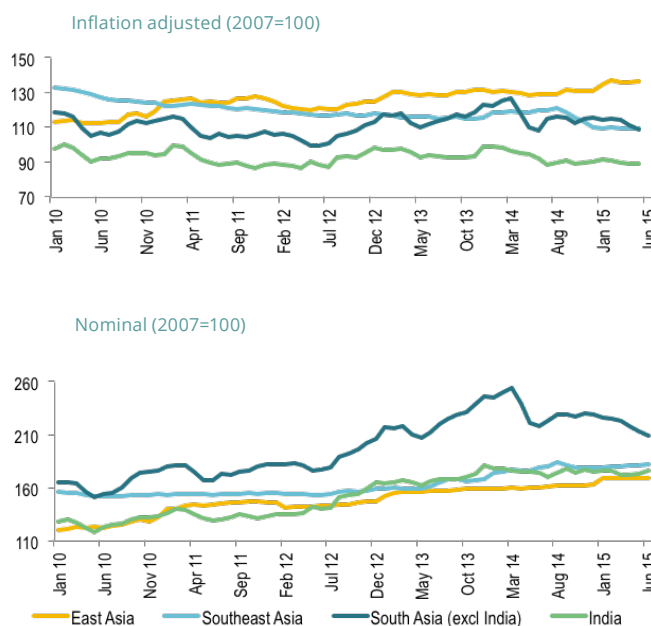


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **Bangladesh** (Dhaka markets), wholesale prices for selected commodities declined in June. The price of atta (wheat flour) fell by 4 percent, wheat fell by 2 percent and rice was down 1.5 percent. In contrast, retail prices for the same commodities rose slightly with atta up 0.8 percent, wheat up 2.3 percent and rice rising by 0.2 percent. Wholesale prices for rice had been falling since January 2015 as civil protests disrupted transportation, preventing or delaying supplies from reaching city markets and forcing some farmers to reduce prices at the farmgate.

At the policy level, Bangladesh is striving for self-sufficiency in rice production. During the recent boro (dry season irrigated crop) growing period from January to April, rice prices in local markets were not affected because international prices and imports were stable. But as of May 2015, rice imports from India increased three-fold and the government imposed a 10 percent duty on rice imports to protect farmers from having to cut prices. The FY 2014/15 boro season procurement target was set at 1.1 million metric tonnes at BDT 32 (US\$ 0.41) per kg. As of 25 June, 39 percent of the target had been purchased or 425 000 metric tonnes.

On an annual basis, wholesale prices declined significantly, with atta falling by 11.2 percent, wheat falling 11.1 percent and rice down 25.5 percent. In comparison, retail price declines were smaller, with atta down 8.2 percent, wheat down 3.1 percent and rice falling 6.5 percent.

In **China** (average of 50 markets), rice and wheat flour prices were relatively stable during the past month, and were 3.6 percent and 5.3 percent higher than a year ago (not shown in graph). Bumper harvests – and in particular 2014's record high – would usually put some downward pressure on prices even at this time of year, but prices for rice and wheat remained stable because of strong demand and increased Minimum Support Prices.

Overall, prices for fresh vegetables have been fluctuating less on the season's more plentiful supplies, except for tomato prices, which declined 15 percent, and kidney bean prices, which were down 19.2 percent. Year on year, tomatoes were 5.8 percent lower, but kidney beans were 3.5 percent higher.

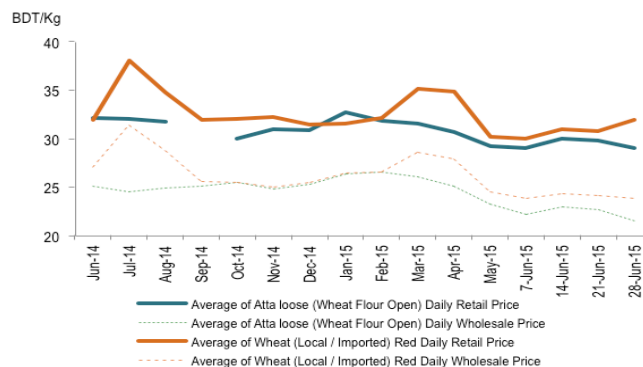
In some cases, prices rose because heavy rains affected transportation, particularly for fresh vegetables and fruits whose prices fluctuated the most during the past year. Chinese cabbage prices increased by 28 percent, celery was up 27 percent and potatoes rose 11.3 percent. However, prices for bananas fell 26 percent and prices for fresh eggs also dropped by 16 percent.

In **The Philippines** (Metro Manila) prices for all reported commercial rice varieties remained unchanged from last month and last year (not shown in graph).

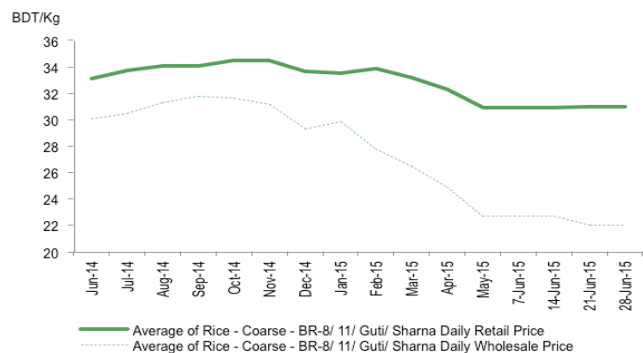
In June, prices for fresh vegetables and fruits fluctuated the most because of variations in supply, with increases of 47.7 percent for tomatoes and 16.7 percent for eggplants, but a decline of 18.8 percent for mangoes. The Department of Agriculture has assured the public there will be adequate supplies of vegetables despite Typhoons Egay and Falcon having affected vegetable-producing areas in Northern and

Bangladesh

Retail and wholesale prices for wheat and atta

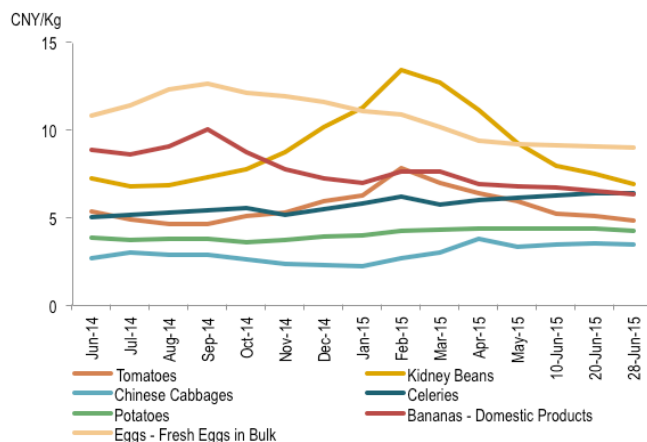


Rice retail and wholesale prices



Source: National Food Policy Capacity Strengthening Programme, 2015.

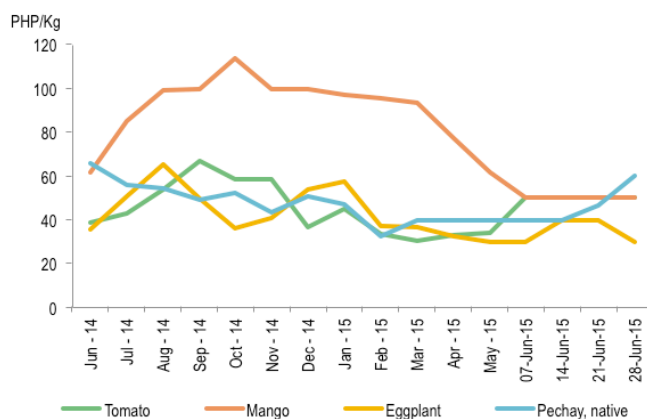
China



Source: National Bureau of Statistics, 2015.

The Philippines

Fresh fruits and vegetables



Source: Philippines Statistical Authority, 2015.

Central Luzon.

Prices for native pechay, a high calcium variety of cabbage planted as an alternative to rice, were 16.7 percent higher than in May, but 29.1 percent lower than in June 2014.

Pork prices (ham and liempo) have continued to drop gradually since October 2014 and were 10 percent and 9.1 percent lower, respectively, from one year ago.

In **Sri Lanka** (Colombo markets), prices for food staples such as white rice and wheat flour remained relatively unchanged during June, but declined by 0.5 percent and 12.7 percent, respectively, from one year ago (not shown in graph).

A combination of excess and lack of rain in different regions has contributed to pushing prices up. On the one hand, a surplus of rainwater has created problems transporting food to markets; and on the other, a deficit of rainwater has delayed plantings in dry zone districts. In this context, prices of green beans and long beans have been trending upward with monthly increases of 25.5 percent and 22.3 percent, respectively, and annual increases of 32 percent and 12.7 percent, correspondingly. Beans are an excellent source of vegetal protein and are a common part of peoples' diet in the country.

Lime prices increased by 10.6 percent and were 53.6 percent higher than a year ago due to limited rain in the dry zone, where lime is planted, since January.

In **Thailand** (Bangkok wholesale markets), rice prices (25% broken) remained relatively stable with a 0.7 percent monthly decline, but were unchanged year on year. Prices for pork tenderloin increased by 1.6 percent, but were 11.7 percent lower than a year ago (not shown in figure). Prices for chicken eggs remained unchanged during June, but were down by 15.4 percent compared to June 2014. Lime prices declined by 53.5 percent, but were 7 percent higher than a year ago.

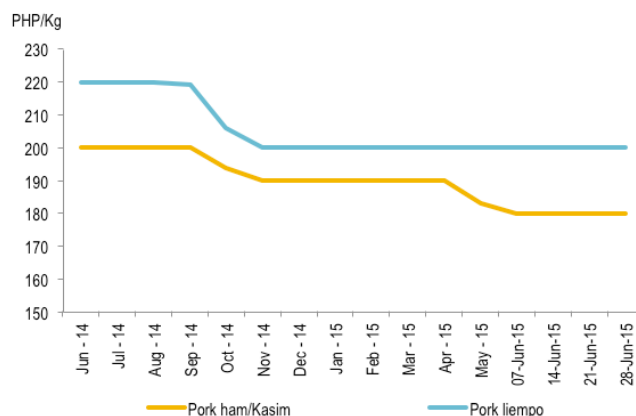
In mid-April, the European Commission issued a yellow card to Thailand for taking insufficient measures against illegal, unreported and unregulated (IUU) fishing. The European Union has given Thailand a grace period of six months to take corrective measures, or it will impose an import ban on seafood from the country. Seafood prices in Bangkok wholesale markets remained unchanged during June for banana squid, mussels, and mackerel as existing stocks in cold storage facilities were sufficient for the coming months, according to the Internal Trade Department. Seafood prices varied more when compared year on year, with mussels increasing 27.3 percent, banana squid by 14.3 percent and white shrimp by 8 percent.

To avoid supply depletion and to maintain price stability, the Department of Fisheries has instructed agencies to release products regularly to avoid hoarding, and issued assurances that cold storage facilities are sufficient to meet consumer demand for several months. Seafood vendors have also come to rely more on aquaculture farms and imports for supplies.

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.

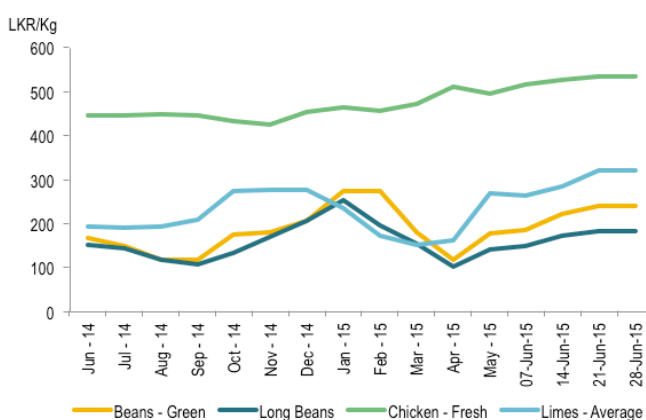
The Philippines

Pork prices



Source: Philippines Statistical Authority, 2015.

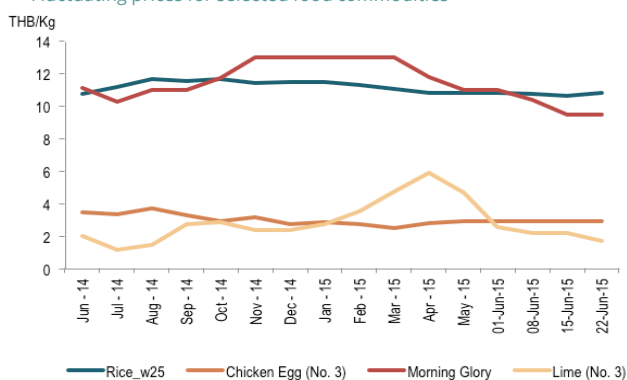
Sri Lanka



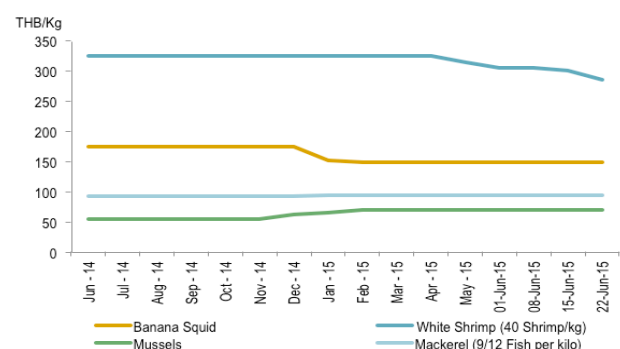
Source: Department of Census and Statistics, 2015.

Thailand

Fluctuating prices for selected food commodities



Seafood prices



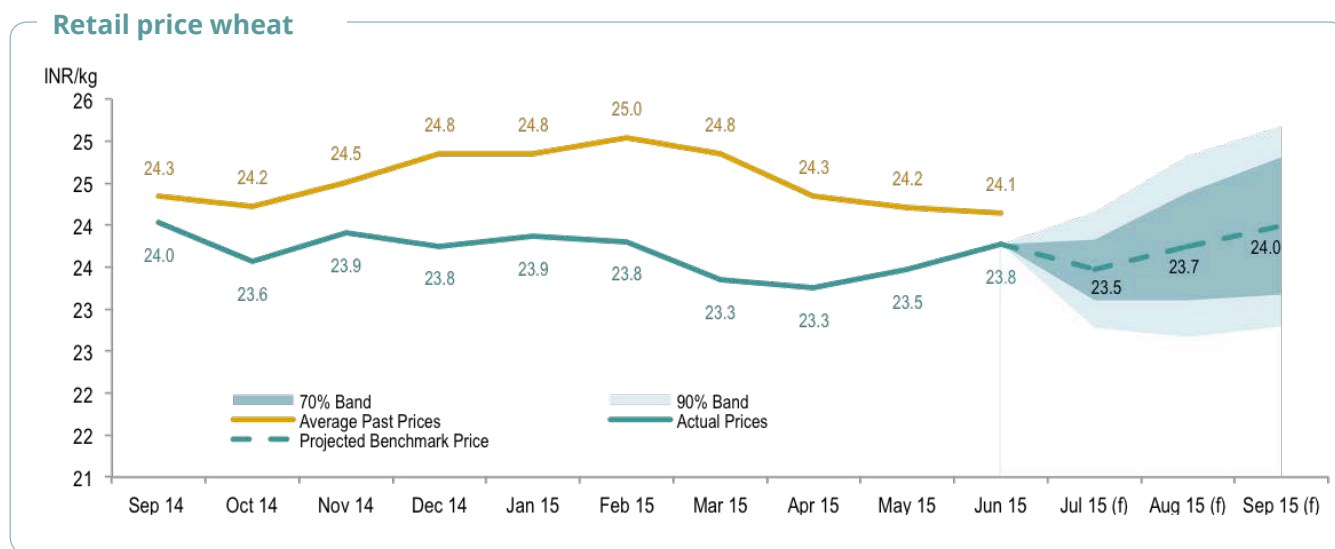
Source: Ministry of Commerce, 2015.

PRICE FORECAST

India (retail wheat)

Retail prices for wheat in India were INR 23.8 (US\$ 0.37) per kg in June and were 1.3 percent higher from May and 1.1 percent higher from June 2014. Prices have been generally in line with the trend in average past prices but were down 0.8 percent from November 2014 to June 2015 compared to an average decline of 1.1 percent experienced over the past 7 years during the same period of time. The benchmark future price for July is forecast at INR 23.5 (US\$ 0.37) per

kg within a 70% benchmark band of INR 23.1 -23.8 (US\$ 0.36 – 0.37) per kg representing a drop of 1.3 percent from the price forecast in June 2015 but a 1.7 percent increase from the price in July 2014. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to slightly increase within a benchmark band of INR 23.1 – 24.8 (US\$ 0.36 – 0.39) per kg.

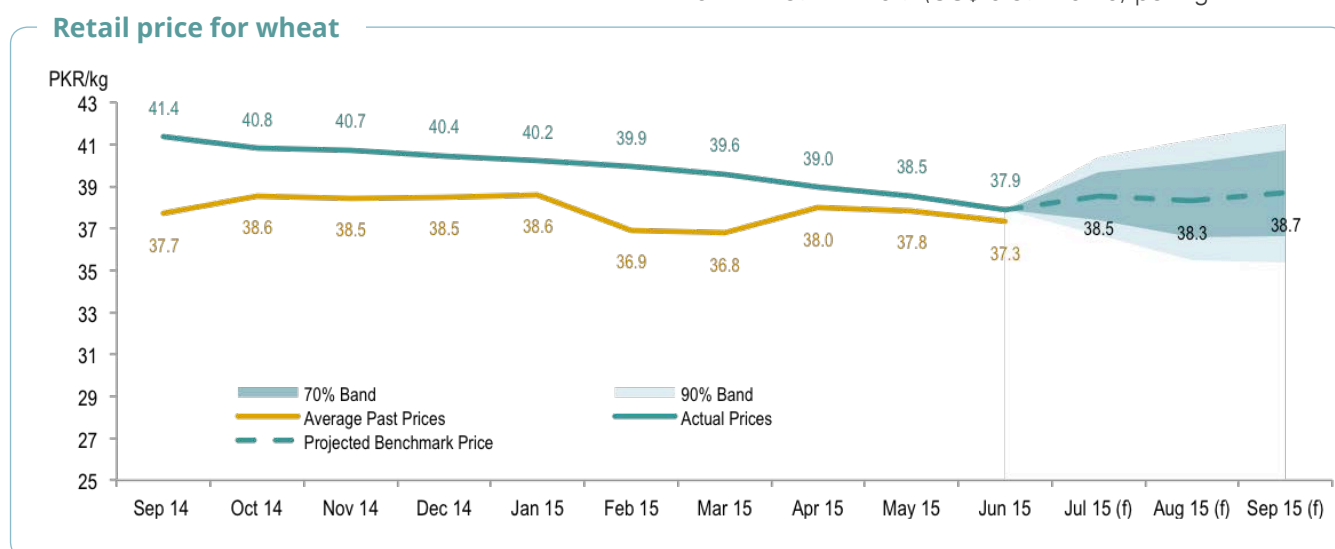


Source: FAO GIEWS and FAO RAP calculations. Note: Average prices for markets in Chennai, Delhi, Mumbai and Patna.

Pakistan (retail wheat)

Retail prices for wheat in Pakistan were PKR 37.9 (US\$ 0.37) per kg in June and dropped by 1.7 percent from May and were 2.8 percent lower than June 2014. Prices have not been in line with the trend in average past prices and were down 5.2 percent from February 2014 to June 2015 compared to a 1.1 percent average increase experienced over the past 7 years during the same period of time. The benchmark future

price for July is forecast at PKR 38.5 (US\$ 0.38) per kg (within a 70% benchmark band of PKR 37.4 -39.6 (US\$ 0.37 – 0.39) per kg an increase of 1.7 percent from the price forecast in June 2015 but a 3 percent decline from the price in July 2014. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for wheat are likely to slightly increase within a benchmark band of PKR 37.4 – 40.7 (US\$ 0.37 – 0.40) per kg.



Source: FAO GIEWS and FAO RAP calculations. Note: Average prices for markets in Karachi, Lahore, Multan, Peshawar and Quetta.

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

On 4 July, **Australia** released its Agricultural Competitiveness White Paper that sums up a AUD 4 billion (US\$ 3.1 billion) investment plan that focuses on policy interventions for farmers by lowering taxes, cutting red and green tape, building infrastructure, encouraging trade, developing and supporting business to innovate and create jobs. Among different measures, the Government has intensified drought preparedness and provided long-term support to enable risk management by providing concessional loans of AUD 250 million (US\$ 193 million) for 11 years. With this same objective, the Government has also allocated AUD 22.8 million (US\$ 17.6 million) to increase Farm Household Allowance case management, improved access to financial counseling and direct advice from the Australian Taxation Office, as well as increased community mental health services. Another AUD 35 million and 25 million (US\$ 27 and 19.3 million) have been budgeted for local infrastructure and pest management, respectively.

The Government of **Cambodia** announced a new agro-industrial framework to increase the competitiveness of the agriculture sector by building up food-processing capacity and improving export logistics. In addition, to reduce reliance on vegetable and fruit imports the Government will invest US\$ 20 million to boost local agro-food production from 2016.

India increased its Minimum Support Prices (MSP) for monsoon season crops for the 2015-16 marketing season, including pulses, paddy rice, cotton, finger and pearl millet, sorghum, sunflower seed, yellow soybean, ground nuts, maize, nyger seed and sesame seed. The higher MSPs will come into effect on 1 October.

India will invest INR 2 billion (US\$ 31.3 million) to set up an online national agriculture market to facilitate farmers and traders to purchase and sell agricultural commodities at optimal prices. The scheme targets 587 selected regulated markets in India, and these markets will be integrated into the common e-platform over three years.

The Government of **Thailand** approved THB 60 billion (US\$ 1.7 billion) in soft loans with low-interest rates, and an extra budget of THB 160 million (US\$ 4.7 million) for an employment programme to assist farmers in drought-hit areas. It also plans to dig 1 000 underground wells to supply water for agriculture. Since last year, the Thai Government has encouraged farmers to grow less water-reliant crops and to postpone paddy planting at least until mid-July, or when the monsoon starts (maybe August or September). The Government continues to carry out artificial rain making operations.

Trade and market related policies

In June, **China** and **Australia**, signed the China-Australia Free Trade Agreement (ChAFTA) that will significantly cut tariffs for various agricultural products (dairy, beef, live animals,

wine, horticulture products, grains, seafood, hides and skins, and some processed foods). There will be no changes to the current quotas on Australian exports of rice, maize and wheat to China, but the 3 percent tariff on barley and 2 percent tariff on sorghum will be eliminated immediately, as will the 2 percent tariffs on oats, buckwheat, millet and quinoa. In addition, within four years, the 15 percent tariff on cotton seeds and up to 7 percent tariff on pulses will come to an end.

The Government of **India** will extend its ban on imports of milk and dairy products from China for at least one more year. The ban, initiated in 2008, also includes food products that are prepared with milk as well as dairy solids. The list includes chocolates, chocolate products, candies, and confectionaries.

On 15 June, **Indonesia** issued a presidential regulation called "Pricing and Storage of Basic Needs and Important Goods" to keep adequate stocks and promote price stability for basic commodities such as rice, soybean and sugar. The regulation prohibits hoarding of basic goods and gives the Government authority to cap prices of basic goods during peak demand periods, such as the month of Ramadan.

The Government of **Malaysia** has fixed the floor prices of seasonal fruits such as durian and mangosteen to stabilize prices amid oversupply in the market. This measure would be applicable only to farmers who sell their fruits to the Federal Agriculture Marketing Authority (FAMA). FAMA will procure 10 000 tonnes of seasonal fruits this year.

Responding to a widening gap between domestic and international prices, **Pakistan** decided to increase import duties on sugar and wheat temporarily, to 40 percent. Sugar duties were raised from 20 percent while duties for wheat were raised from 25 percent.

During June, the **Philippines** issued a temporary ban on the importation of poultry products from Nebraska, in the United States, as an outbreak of Highly Pathogenic Avian Influenza (HPAI) in the commercial chicken layer flock was confirmed by the United States Department of Agriculture.

Consumer oriented policies

New Zealand announced a new policy on the production and sale of raw milk to consumers. As of 1 March 2016, farmers will be allowed to sell raw milk directly to consumers either at the farm or by home deliveries, while meeting requirements such as registration of sellers, pathogens testing, keeping records of sales and labelling appropriately. The current law restricts farmers' sales of raw milk, with a limit of five litres per person.

Sources: Policy developments for the Asia-Pacific region are collected by FAO from official and non-official websites. For Australia, the Australian Government, the US Department of Agriculture, The Sydney Morning Herald, and Financial Review; for Cambodia, the Phnom Penh Post and Agence Kampuchea Presse; for India, the US Department of Agriculture, Public Information Bureau, Hindustian Times, the Economic Times, the Times of India, Business Standard, the Financial Express, and the Hindu Business Line; for Indonesia, FAO and Antara News; for Malaysia, the Sun Daily; for New Zealand, the official website of New Zealand Government and the Ministry for Primary Industries; for Pakistan, the US Department of Agriculture and Customs Today; for the Philippines, the Department of Agriculture; for Thailand, Public Relations Department and Bangkok Post.

OTHER UPDATES

Final negotiations set for TPP trade deal

Representatives of the 12 nations involved in the Trans-Pacific Partnership (TPP) will meet in Hawaii in the United States from 28 to 31 July to try to finalize negotiations on the trade agreement that some analysts believe will increase trade in agricultural goods. The 12 nations are home to 800 million people, or 11 percent of the global population and can claim a combined US\$ 28 trillion in gross domestic product or 40 percent of the global total in 2012. The 12 nations are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States and Viet Nam.

TPP countries imported US\$ 279 billion in agricultural goods from 2010 to 2012, with 51 percent of that sourced from other TPP countries. A study cited by the United States Department of Agriculture postulates that the agreement will increase the value of agricultural trade between member countries by 6 percent or US\$ 8.5 billion by 2025, while another study from the Peterson Institute for International Economics claims that smaller economies, such as Viet Nam's will benefit most from the agreement in its early phases.

Other economists, however, contend that the gains will not be as great because many countries have already negotiated tariff reductions bilaterally or in other trading agreements. Negotiations have proceeded slowly because of disputes over farm tariffs, mainly involving Japan and Canada.

Thailand implementing strict measures against IUU fishing

Pending a potential ban by the European Union on imports from its US\$ 7 billion fishing industry, Thailand's government

began implementing strict measures against illegal, unreported and unregulated fishing (IUU) on 1 July. The measures require all ships to be licensed, registered and inspected, but over 3 000 ships did not register by the deadline and boat owners and crewmen petitioned Prime Minister Prayut Chan-o-cha to delay the implementation of the new rules. The Prime Minister refused, saying the owners had had enough time to register their craft.

The grounding of over 3 000 ships prompted fears of a shortage of seafood and sharp price rises. The president of the Thailand Fishery Association warned that many seafood markets were set to close, and also seafood processing factories, because of a lack of catch. While there have been sporadic of some restaurants raising prices, no evidence of widespread price spikes yet exists. The Fisheries Department said stocks were ample and no shortages had emerged as frozen seafood companies could meet domestic and export demand.

Furthermore, small-scale fishers stood behind the new rules, claiming that larger ships frequently trawled too close to shore and were destroying their livelihoods. Catches have been steadily declining for at least two decades and warnings have been rife that the industry is not sustainable. Large exporters also voiced support for the new rules, saying they are concerned they will lose access to important markets unless the sector is reformed. The European Union is expected to review Thailand's progress in October.

Sources: For TPP story, International Centre for Trade and Sustainable Development, The Japan Times, Peterson Institute for International Economics, Radio New Zealand, USDA and The Wall Street Journal. For the Thailand IUU story, The Bangkok Post, The Ministry of Commerce and Royal Thai Embassy to Belgium.

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

Hiroyuki Konuma
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