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**FAO Food Price Index down slightly in November**

Global food prices were generally stable in November, as the FAO Food Price Index fell by just one point from October to 215 points. The index has fallen 23 points since its peak for the year in February, translating to a 10 percent drop in food prices. The decline put food prices at just 1 percent above their level of one year ago in November 2010.

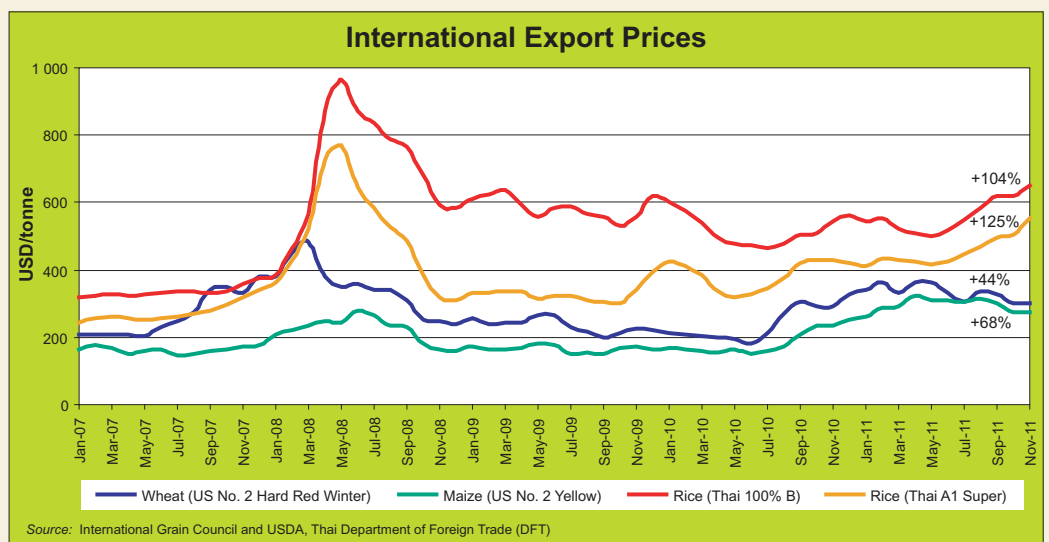
Average prices for cereals also fell by 1 percent from October, with a 3 percent drop in the price of wheat largely responsible for the overall fall. Agrimoney magazine of the United Kingdom suggested, however, that wheat prices may fall even further as **Argentina** plans to export somewhere between 1.4 and 3.5 million tonnes at low prices in order to free up storage for its coming harvest. In early December, the FAO revised upward its cereal supply estimate for 2011-2012, mainly on a projected 8 million tonne increase in global wheat supplies. Most of the additional wheat is the result of larger than expected stocks from the **Russian Federation**. The Organization is now forecasting cereal supplies of 2.824 billion

tonnes for 2011-2012 compared with its earlier forecast of 2.815 billion tonnes.

Although the average price of rice was also relatively steady, closer examination showed more volatility and varying trends depending upon the grain's country of origin. **Thailand's** white rice 100 percent B, the industry benchmark, rose by about 5 percent during November because of massive floods and a new government rice support programme. Beginning the month at USD 620 per tonne, Thai rice rose to USD 663 per tonne mid month at the height of the flooding before finally falling back to USD 649 at month's end. Nonetheless, lower demand on world markets led to lower prices for rice from **Viet Nam, India, Pakistan** and the **United States**, resulting in a steady average price for rice.

The biggest movers among the food groups measured by the FAO were sugar, and oils and fats. Sugar prices averaged 6 percent lower in November compared to October, and 15 percent lower than peak prices in July 2011, as traders expected a global surplus over the coming 12 months on good harvests in **India, the EU, Thailand** and the **Russian Federation**. For the purposes of calculating the overall Food Price Index, the

**Figure 1: Selected international cereal prices**



drop in sugar was essentially cancelled out by a 5 percent rise in the prices of oils and fats, which had been declining since March. An expected slowdown in palm oil and soybean oil output, coupled with increasing import demand from **China** and others, reversed the earlier trend and pushed edible oils prices higher.

November's FAO Meat Price Index remained unchanged from October, while the Dairy Price Index declined by 1 percent. Meat prices, however, averaged 17 percent higher from January through November 2011 than during the same period in 2010. Dairy prices were 3 percent lower in November 2011 than during the same month in 2010.

### Domestic rice prices rising, wheat stable

Adequate supplies of wheat kept domestic prices for the grain stable in most countries around the region during November, according to FAO's Global

Food Price Monitor. In contrast, rice prices continued to rise as a result of disruptions in supplies and logistics caused by flooding in main rice-producing areas, and the impact of rising rice export prices.

Rice prices rose in **Viet Nam** during November despite the ongoing harvest and a small drop in its export rice price. Export commitments were a factor in rising domestic prices, as the country has agreements to ship large quantities through the end of the year, including a recent deal for 300 000 tonnes with Indonesia. Rice prices hit record highs in southern Viet Nam, and were an average of 20 percent more expensive than in November 2010. Year on year prices were dramatically higher in both **Thailand** and **Cambodia**. Wholesale prices in Cambodia were 35 percent higher in November than in the same month in 2010. The Thai government's recently introduced paddy procurement programme, which pays farmers 50 percent more for their rice, was the

main factor in pushing prices up by 30 percent year on year for October, the latest month for which statistics were available. **Indonesia** also saw its rice prices continue to rise in October, setting a new record as paddy production was expected to fall this year and the country would have to import as much as 2 million tonnes of rice, double what it imported in 2010. Prices were 15 percent higher than at the same time last year. Rice prices also rose in **Sri Lanka** in November, up 7 percent since September. The price of rice was high but stable in **India**, **China**, the **Philippines** and **Lao PDR**. **Bangladesh** was the only country where rice prices declined, falling by 8 percent since September on good harvests.

Wheat prices fell by 3 percent in **Afghanistan** during the first week of December, while in neighbouring **Pakistan** wheat prices were stable during the past month, but 2 percent higher than at the same time last year. Wheat flour prices, however, were 5 percent

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

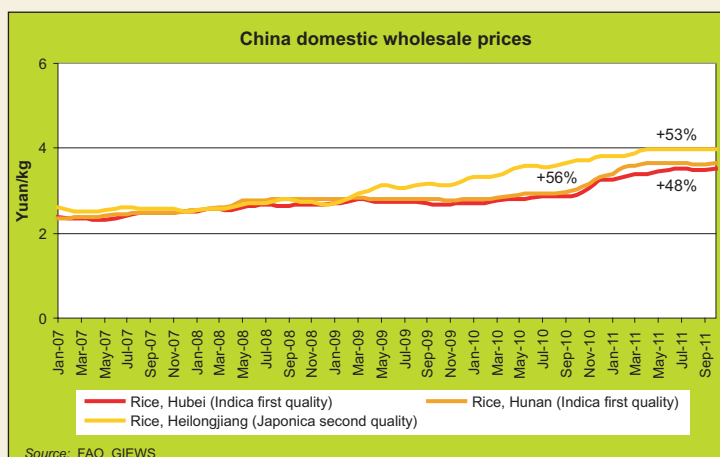
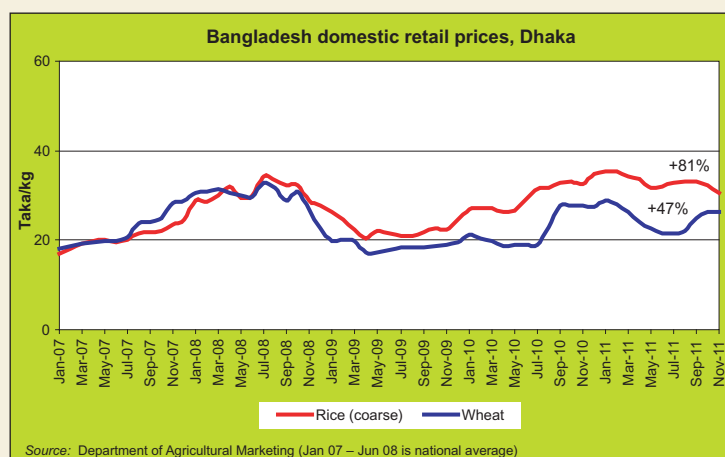
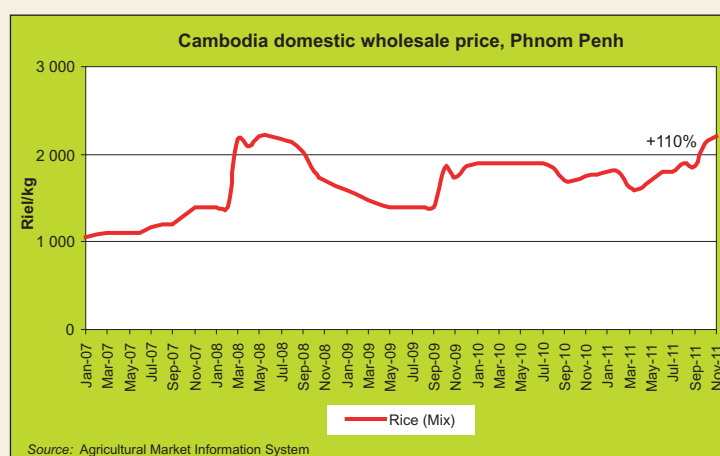
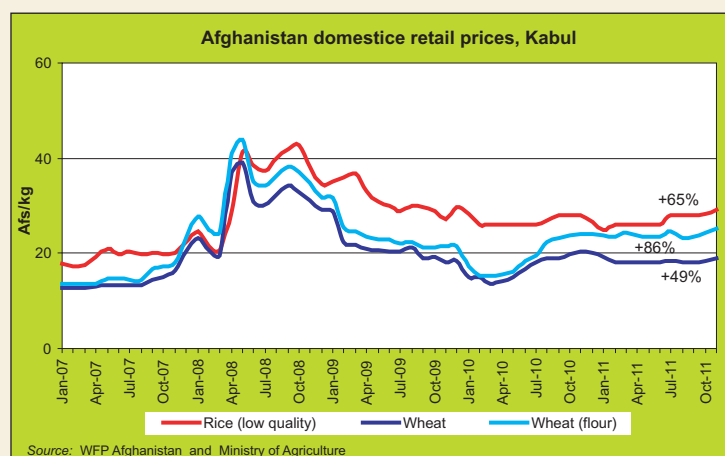
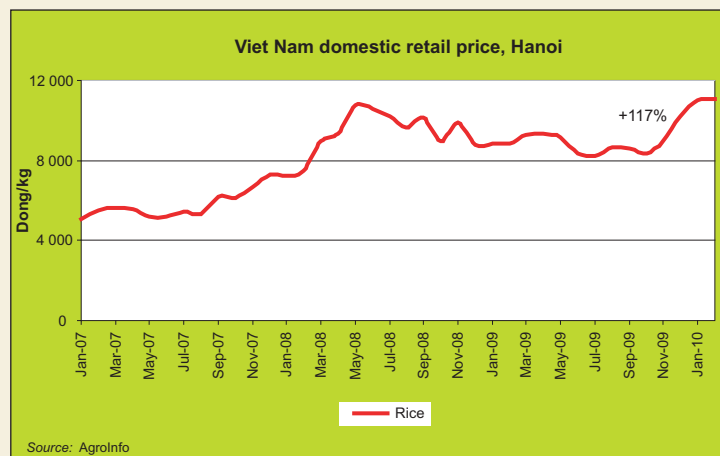
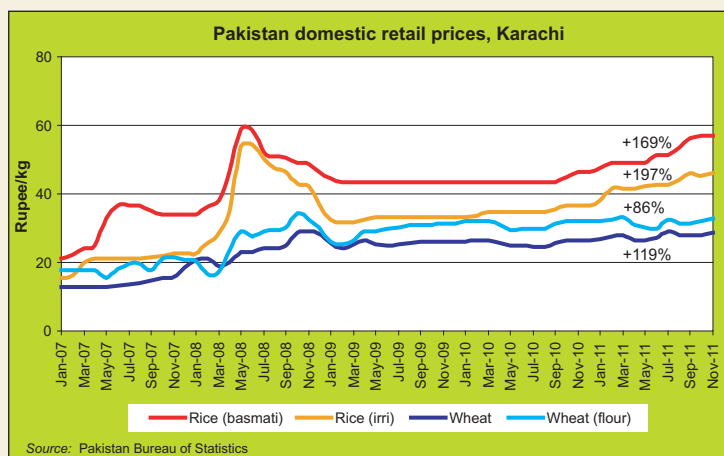
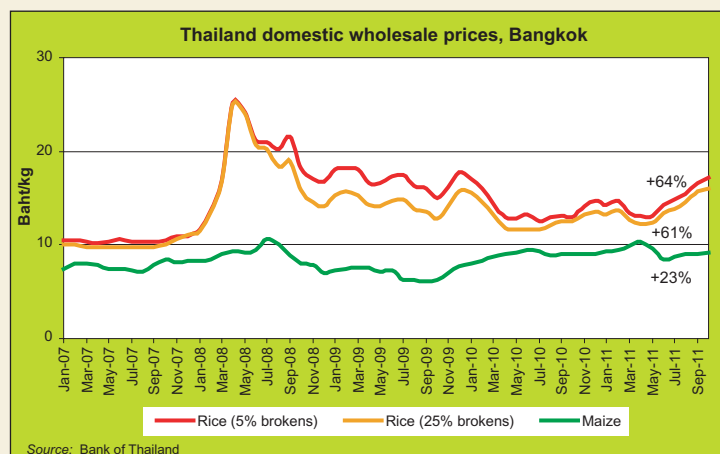
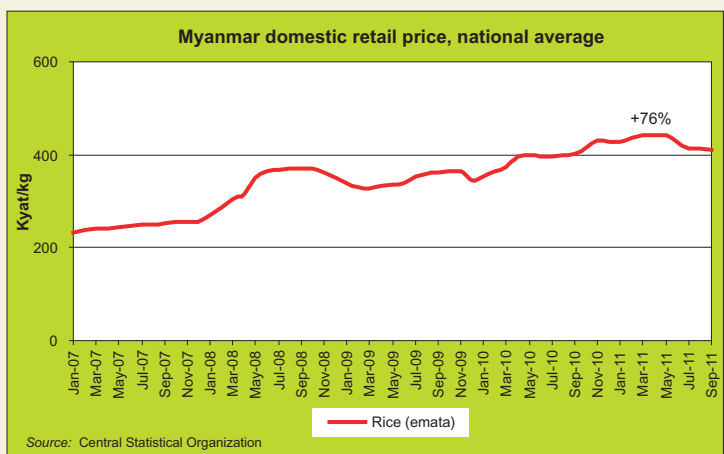
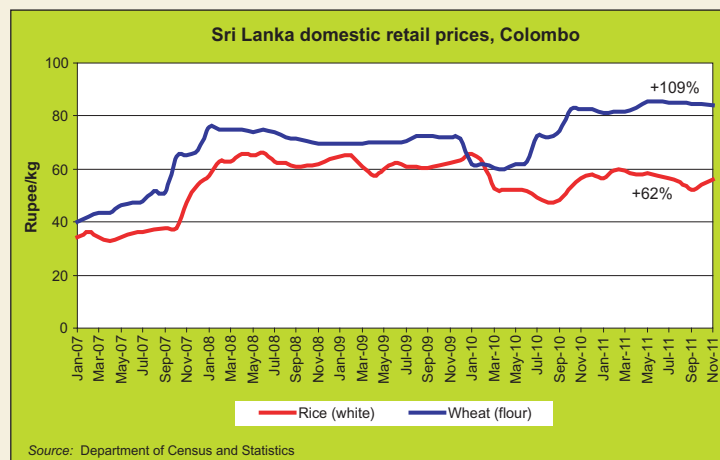
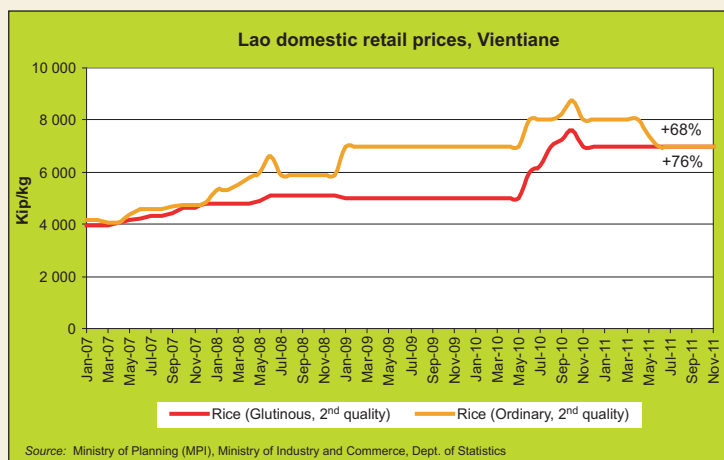
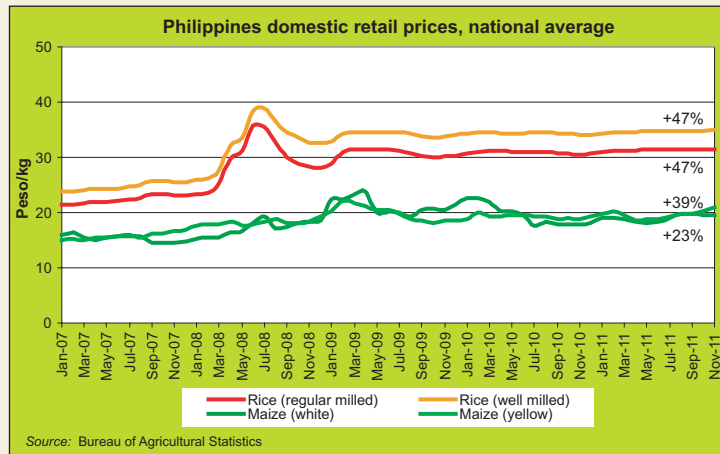
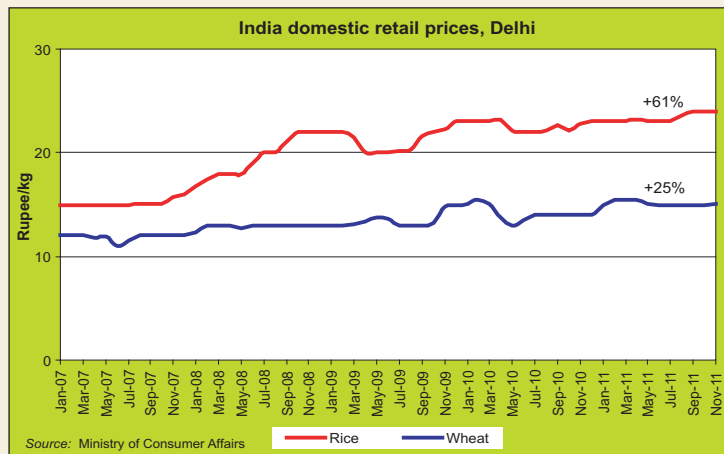


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



below last year's level. Wheat fell by 5 percent in **Myanmar** during the first week of December, but was still 5 percent above its price three months ago. Responding to falling international wheat prices, **Fiji's** Ministry of Industry and Trade approved a 15 percent decrease in the price of wheat flour in late November, the third time in 2011 it has implemented price control measures.

Also in the Pacific, taro palagi prices in **Samoa** dropped by 36 percent in October, the most recent month for which data is available. Nonetheless, it was still 40 percent above its price observed a year ago. Meanwhile, taro prices increased by 143 percent in October, while banana prices rose by 8 percent. In Fiji, dalo tausala (a variety of taro) rose by 21 percent in November, while corn and cassava fell by 14 and 11 percent, respectively.

Pork prices rose by 6 percent in **Thailand** during the first week of December, while at the same time falling by 5 percent in **Viet Nam**. In neighbouring **Lao PDR**, chicken prices surged by 12.5 percent in November, the first time its price had risen in seven months. Chicken prices also rose by 5 percent in **Bangladesh** during the first week of December.

### **Cambodia's agricultural exports double**

Cambodia's exports of agricultural goods doubled year-on-year from January through October, as Prime Minister Hun Sen urged rice farmers and exporters to institute reforms to meet a goal of exporting 1 million tonnes of rice by 2015, according to the Phnom Penh Post. Cambodia exported just over 100 000 tonnes of rice in 2010.

Ministry of Commerce statistics showed that exports of all goods totalled USD 4.05 billion for the first ten months of 2011 compared with USD 2.82 billion during the same period the previous year. Agricultural exports reached USD 330 million, roughly double the figure for the corresponding period in 2010.

During a speech at the 16<sup>th</sup> Government-Private Sector Forum in late November, Prime Minister Hun Sen said the export process should be simplified. He called

on his ministers to open a "one-stop window" to reduce red tape. "It is necessary for us to establish a single window for the export of milled rice," he said, adding that importers overseas were concerned about delays and difficulties in obtaining clearances.

He also urged that rice farmers adopt economies of scale to boost output. Yang Siang Koma, president of the Centre for the Studies and Development of Cambodian Agriculture, an NGO, said getting rice farmers to work in cooperation to achieve economies of scale was a challenge, as no such tradition exists among them. He said that most of Cambodia's farmers had not yet learned how to specialise in producing rice for the market, and were chiefly subsistence farmers.

Traders established the Cambodia Rice Export Association just one year ago, and it has been just three months since the organization received formal recognition from the Ministry of Commerce. Association officials said they could play a role in increasing exports as the organization becomes better known.

### **Lao PDR requires bigger budget for agriculture development**

Lao PDR will need to more than double its budget allocations for the farming sector in order to meet its development goals, a government official was quoted as saying by the Vientiane Times newspaper.

Deputy Minister of Agriculture and Forestry Dr. Phouangparisak Pravongveingkhom said the sector needs USD 524 million this fiscal year, but only USD 210.5 million has been allocated. Much of the budget comes from overseas development assistance, private and foreign investment, and natural disaster rehabilitation funds.

Funds are needed to develop market-oriented commodity production systems, increase employment in remote rural areas and reduce shifting cultivation, he said.

The government has set targets to produce 3.6 million tonnes of rice, 2.6 million tonnes of fruits and vegetables, and 1.7 million tonnes of sugarcane by

2015. He said that 3.1 million tonnes of rice had been harvested this year and 2.5 million tonnes of fruits and vegetables, a marked increase over the 1.8 million tonnes of fruits and vegetables harvested in 2010. In addition, the ministry would like to see 120 000 head of cattle exported.

Dr. Phouangparisak said his ministry did not receive a budget for natural disaster rehabilitation this past fiscal year. Lao PDR was one of several Southeast Asian countries that suffered from flooding in recent months. In early December, the government distributed 10 tonnes of rice seeds for farmers in Chamapassak province affected by the floods.

### **Myanmar introducing new laws on farmland**

A Myanmar Times editorial has commended the government for working to pass two new laws dealing with land use, noting they would be essential components of efforts to reduce poverty. The newspaper also praised President Thein Sein for publicly acknowledging the extent of poverty in the country, saying it was the first step towards seriously addressing the issue.

"In a country where an estimated two-thirds of people earn a living directly or indirectly from agriculture, it is crucial that [The Farmland Bill and the Vacant, Fallow and Land Management Bill] reflect the need – particularly among smallholder farmers – to secure land tenure rights," the paper said.

However, the paper, civil society and human rights groups have also said the legislation should be more far-reaching, and contains some flaws. While the Myanmar Times said that the level of open debate about the bills taking place in parliament is unprecedented and indicative of President Thein Sein's determination to reform the country, it also pointed out that "meaningful consultations must also be conducted with agricultural experts, civil society and – most importantly – the public." It voiced concern that the new laws may not be able to stop land-grabbing by large companies.

The Times also reported that the Myanmar Rice Industry Association (MRIA) was reviewing whether to halt the export

of 50 000 tonnes of rice because of crop damage related to heavy flooding, especially in Ayeyarwady and Bago Divisions. The Ministry of Agriculture and Irrigation asked the MRIA to consider domestic food security concerns before deciding if the rice should be exported.

### Thai sugar firm planning major expansion

Thailand-based Mitr Phol sugar, the world's fifth-largest sugar production company, is planning to invest USD 1 billion to expand production capacity over the next three years, according to the Bangkok Post newspaper. Despite damage to some of its cane fields during Thailand's recent floods, the firm said it expects to increase production by 10 percent in 2012. Mitr Phol is also attempting to acquire a majority ownership of MSF Sugar of Australia, of which it already owns 22 percent. The company has sugar mills in Thailand, Lao

PDR and China.

### Improved harvest in DPRK, assistance still needed

A joint FAO-World Food Programme assessment has concluded that the 2011 harvest in the Democratic People's Republic of Korea (DPRK) will increase by 8.5 percent compared to 2010. Nonetheless, the organizations are still concerned about malnutrition, especially among young children, and said that nearly 3 million people will continue to need food assistance in 2012.

"Although improved with the new harvest, the situation remains precarious, especially on a nutritional level. Humanitarian support in the form of fortified blended foods for the most vulnerable continues to be critical," said Arif Husain of WFP's Food Security Analysis Unit in Rome.

The assessment found that DPRK will still need to import 739 000 tonnes of cereals, but government plans for the year only call for importing 325 000 tonnes, leaving

an unfulfilled need for an additional 414 000 tonnes.

### Russian Federation building grain terminal on Pacific coast

Eyeing more grain exports to Southeast Asia, the Russian Federation's state-owned United Grain Company is joining with Dalport Ltd. to build a USD 160 million grain terminal at the Vostochny port near Nakhodka on the Pacific coast, the Moscow Times has reported. "The existing infrastructure to handle grain in the Far East doesn't meet either the capacity of Russian growers or the demand of the dynamically developing Asian markets," said United Grain's CEO Sergei Lyovin. The company's goal is to increase its cereal exports to 16 million tonnes by 2015.

United Grain was created by the government in 2009 to increase exports and help regulate the domestic market through purchases and sales. It is now planning to sell a stake in the company to private investors and may eventually fully privatise the firm.

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