FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
REGIONAL OFFICE FOR ASIA AND THE PACIFIC

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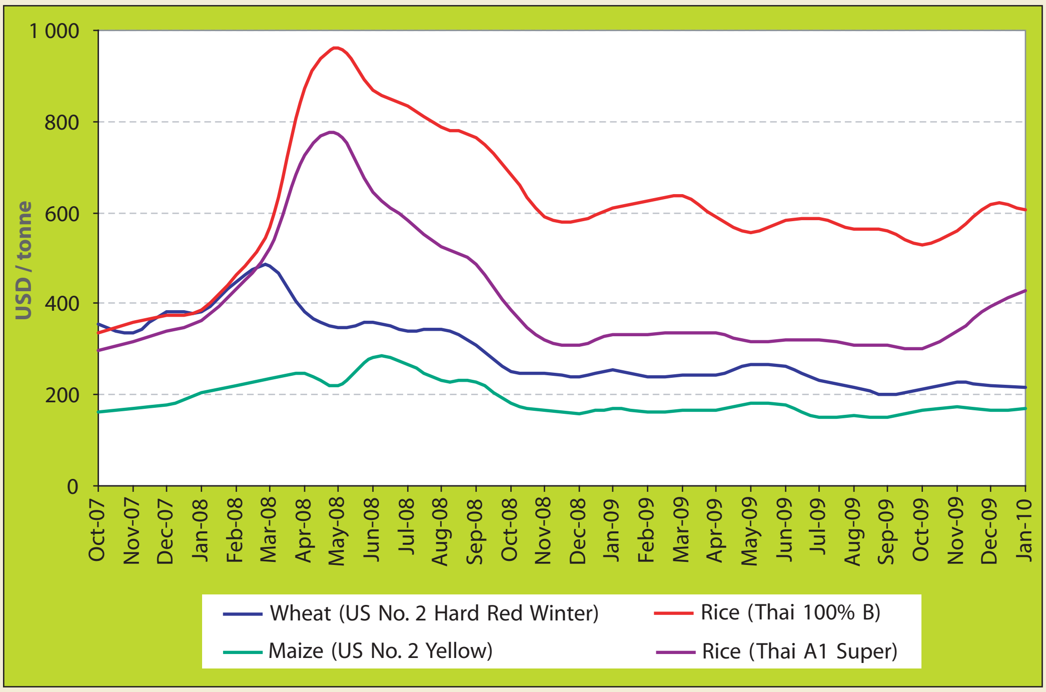
ASIA PACIFIC FOOD SITUATION UPDATE

Favourable crop prices and low input costs make 2009 paddy harvest second largest on record

Latest FAO projections estimate global paddy production in 2009 to be the second highest after the record 2008 crop, totalling 678 million tonnes (about 452 million tonnes milled rice), which is 11 million tonnes less than the preceding year. FAO's *Rice Market Monitor* (http://www.fao.org/es/ESC/en/15/70/highlight_71.html) has revised earlier production estimates upwards for major rice growing countries in Asia with the region's 2009 paddy output expected to be nearly 612 million tonnes (some 408 million tonnes on milled basis), about 12 million tonnes less than 2008. Reductions in harvests due to drought and floods in **Bangladesh**, **Cambodia**, **India**, **Nepal**, **Pakistan**, the **Philippines** and **Thailand** are expected to be partly offset by improved production in **China**, **Indonesia**, **Lao PDR**, **Myanmar** and **Viet Nam**. Rice production is also set to increase in Europe, Russia and the United States. Africa's 2009 paddy crop has been affected by reduced plantings in Egypt and rain shortfalls in Chad, Mauritania, Niger and Tanzania. Global rice plantings in 2009 covering 156 million ha were 3 percent less than the previous year although this was partially made up by a productivity increase of 1 percent to 4.4 tonnes per hectare.[1] Relatively higher paddy prices, declining input costs, particularly of fertilizers, and government support had a role in keeping rice production levels up during 2009.

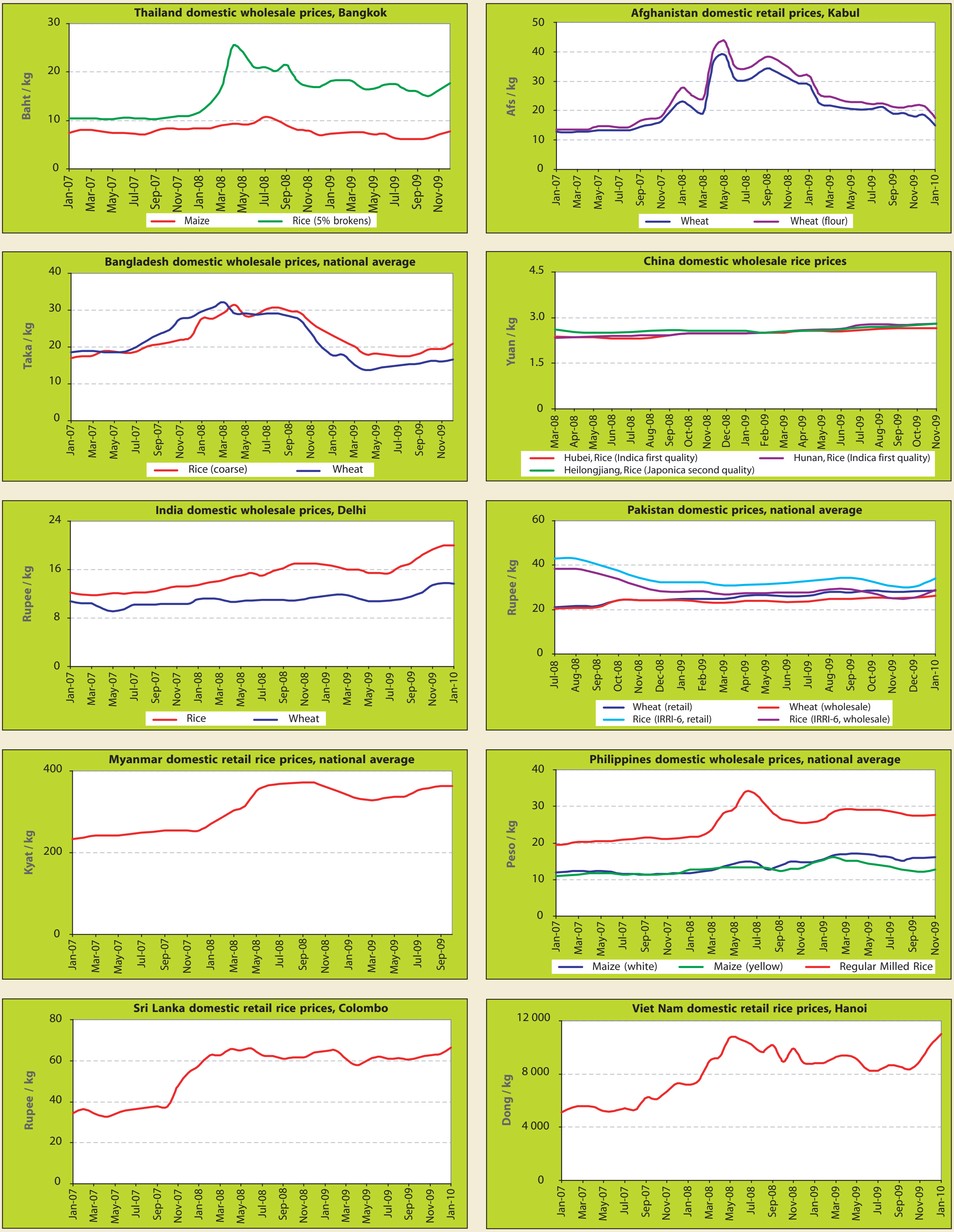
[1] *Rice Market Monitor – December 2009*, FAO

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*

FAO urges priority to agriculture during post-quake rehabilitation in Haiti

International efforts to rebuild earthquake-devastated **Haiti** must give priority to food production and agricultural reconstruction, FAO said in a statement after the country's worst natural disaster in living memory. Haitian farmers need immediate assistance in the form of seeds, fertilizers and agricultural tools before the start of the spring planting season in March. The earthquake has severely damaged irrigation channels and storage facilities. "It is urgent that we do this in the light of thousands of people fleeing the devastated capital for the rural areas and food prices rising," said FAO Director-General Jacques Diouf. The March-to-May spring crop season produces 60 percent of the country's agricultural harvest. About 63 percent of Haiti's estimated annual cereal consumption of some 1 million tonnes is met by imports.

International rice prices expected to stay firm in first quarter

International rice prices continued rising in the new year with the FAO All Rice Price Index touching an average of 251 points in January up from 247 in December 2009, but below the January 2009 average of 270.[2] While the price of the benchmark Thai 100% B fell to an average of US$608 per tonne in the first three weeks of January against the December 2009 average of US$618, Thai A1 Super averaged US$430 per tonne in the same period against US$394 per tonne in December last year (see Figure 1).

[2] Ibid

Prices of Thai 25% and 5% broken and **Pakistan**'s Irri 25% broken also strengthened in January. An assessment of the current demand and supply situation and export policies in key producer nations indicates that international rice prices are likely to stay firm till March/April when upcoming harvests can be better assessed.[3]

In **Thailand**, the government delayed plans to auction some 300 000 tonnes of 5% broken white rice from its huge stocks after traders offered lower than expected prices that were reportedly about 1 000 Baht less than the market price of about 17 000 Baht per tonne. Thai agriculture officials lowered estimates for the 2009-10 paddy harvest by more than 1 million tonnes after a water shortage and pest infestation affected the year's second crop. This was expected to add to upward pressure on international prices. Thai rice exporters were also worried by the strengthening of the Baht against the US dollar and further depreciation of main rival **Viet Nam**'s currency with Thai rice quoted as US$100 more expensive per tonne than comparable rice from Viet Nam. The Thai government was reportedly planning to restrict rice imports to broken milled rice under the ASEAN Free Trade Agreement that took effect in January. Thailand was also considering a request by Gulf nations to set up rice processing facilities in the country and sending rice production experts to assist farmers in **Ghana** start large-scale production.

Paddy farmers in the rice bowl Mekong delta region in **Viet Nam** were bracing for drought conditions forecast for this year even as rice production in 2009 was officially estimated at 39 million tonnes, about 23 million tonnes of it coming form the Mekong delta and southeastern region. The country exported a record of over 6 million tonnes of rice in 2009, earning US$2.7 billion. At the start of 2010, exporters concluded deals to ship some 2.3 million of tonnes rice at prices ranging between US$480 to US$665 a tonne, the Vietnam Food Association was reported saying.

[3] Ibid

The **Philippines** expected its 2010 paddy production to be reduced with El Nino-induced dry conditions forecast for the first half of the year which also threaten **Indonesia**. The Philippines' Bureau of Agricultural Statistics (BAS) was expecting a 1.7 percent fall in the paddy crop compared to the same period last year with the cultivated area likely to shrink by 46 000 ha. This was expected to push up international purchases by the world's biggest rice importer to a record high in 2010 after last year's approximately 2.3 million tonnes import necessitated by cyclone damage to the 2009 harvest. The Philippines was reportedly negotiating a duty-free rice import deal with Thailand of up to 1.37 million tonnes annually till 2014 in return for Bangkok agreeing to Manila's continuation of the 40 percent import tariff on all rice imports till that year. Under the ASEAN Free Trade Agreement, member nations have to slash import tariffs on intra-regional trade, except highly sensitive products, to between 0 to 5 percent starting this year. A €10 million European Union grant for the Rapid Food Production Enhancement Programme, which was also supported by the International Fund for Agricultural Development (IFAD), would distribute certified seeds to paddy farmers in the Philippines, covering about 800 000 ha, and develop irrigation infrastructure.

In **Indonesia**, the state procurement agency Bulog was to release 300 000 tonnes of rice from government stocks to check rising domestic retail prices. Prices of the staple medium-grade rice had reportedly surged to Rupiah 6 000 per kg in the third week of January from Rupiah 5 000 per kg in December 2009.

Rising food prices were also worrying the government in **India** which stepped up supplies through the state-run subsidised Public Distribution System network of 'fair price' shops, increasing by 10 kg the monthly entitlement of 35 kg of wheat and rice for below-poverty line families in January and February. Notwithstanding the drought and flood-reduced 2009 cereal harvest, government stocks of wheat and rice in January 2010 stood at about 23 and 24 million tonnes respectively, well above food security buffer norms. The government also extended unlimited duty-free sugar imports till the end of this year to check spiralling sugar prices. India's basmati rice exports were expected to exceed 2.5 million tonnes for the 2009-10 fiscal year ending 31 March, thanks to a bumper harvest as paddy farmers had switched to basmati which needs less water, following the country's worst drought in nearly four decades. India was still to decide on rice imports following a sharp reduction in the 2009 drought-hit *kharif* (monsoon) harvest although the government was reported to be planning government-to-government deals with main Southeast Asian exporters.

Bangladesh issued an international tender for 50 000 tonnes of white rice reportedly to build up buffer stocks due to reduced local procurement. **Sri Lanka** was to sell rice from government buffer stocks at reduced rates to check rising domestic market prices (see Figure 2) and had reportedly contracted imports of 100 000 tonnes of rice from **Pakistan** at about US$400 per tonne free-on-board.

Although wheat and flour prices were declining in **Afghanistan** (see Figure 2) with wheat averaging Afs 15.6 per kg across the country in mid-January, down from Afs 16.3 per kg in December 2009, reduced production prospects this year and rising prices in neighbouring Pakistan were expected to put upward pressure on wheat prices in coming months.

In **Pakistan**, wheat prices increased in Multan and Sargodha in the third week of January due to reduced market supply while prices of IRRI-6 rice increased in Sukkur, Rawalpindi and Islamabad in the same week as traders continued purchases for export. Rice prices in Pakistan increased more sharply than wheat prices (see Figure 2). Pakistan was reportedly seeking a rice-for-sugar barter deal with the Philippines.

Tropical fruits an important source of nutrition and income for Asian countries

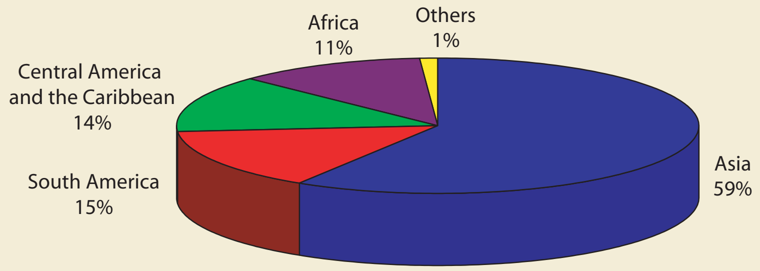
Tropical fruits are an important source of nutrition and income in developing countries. Although Asia dominates world production, it has only a small share of the international market for fresh tropical fruits. Of the about 65 million tonnes of pineapples, mangoes, avocado and papaya produced worldwide in 2008,[4] over 38 million tonnes were harvested in Asia, 9.5 million tonnes in South America, 8.9 million tonnes in Central America and the Caribbean, and 7.4 million tonnes in Africa (see Figure 3). Minor tropical fruits including guava, lychees, longan, durian, rambuttan and passion fruit accounted for 17.8 million tonnes of total world tropical fruit production in 2008 (see Figure 4). **India**, which is Asia's largest producer of tropical fruits, had the world's biggest harvests of mangoes and papayas of 13.8 and 2.68 million tonnes respectively in 2008.[5]

Mangoes, the main tropical fruit, comprised nearly 40 percent of the

[4] *Review of the world market situation for bananas and tropical fruits*, FAO, 2009 ftp://ftp.fao.org/docrep/fao/meeting/018/k6854e.pdf

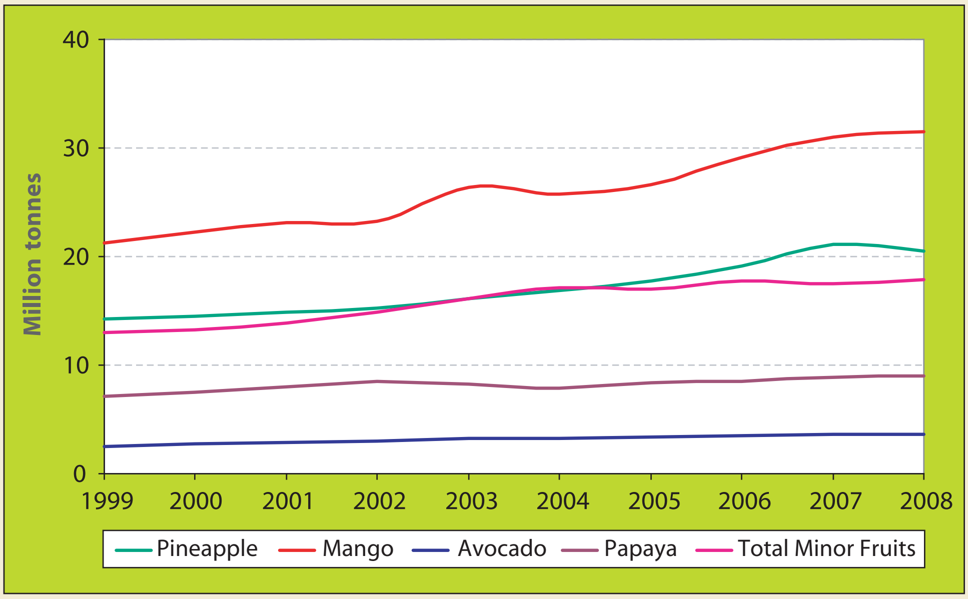
[5] *Tropical fruits compendium*, FAO, 2009 ftp://ftp.fao.org/docrep/fao/meeting/018/k6841e.pdf

Figure 3: Tropical fruit production by region in 2008 (% of 65 million tonnes)



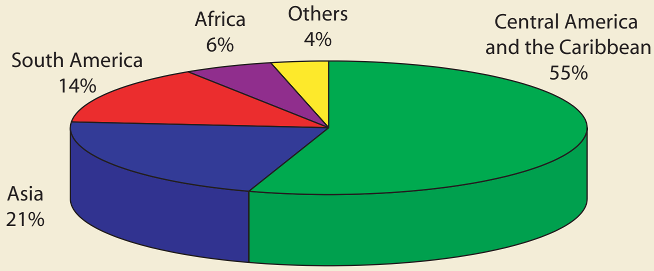
Source: *FAO*

Figure 4: World tropical fruits production by type (1999-2008)



Source: *FAO*

Figure 5: Tropical fruits export by region in 2008 (% of US$4.5 billion)



Source: *FAO*

2008 global tropical fruit harvest followed by pineapples (about 25 percent), papayas (10 percent) and avocados (4 percent) while minor tropical fruits made up about 22 percent of production. In 2008, Asia produced 74 and 49 percent, respectively, of the world's mango and pineapple harvests.

The Latin America and the Caribbean region produced more than 67 percent of the avocado and 39 percent of papaya production worldwide that year.[6]

[6] *Review of the world market situation for bananas and tropical fruits*, FAO, 2009

Asia has minor share of world exports

Only about 10 percent of tropical fruit production is internationally traded, half of it in fresh form. The Latin America and the Caribbean region has been the leading world exporter of tropical fruits over the past decade, selling mainly to North America and the European Union which together imported about 75 percent of the internationally traded pineapple, mango, papaya and avocado in 2008 (see Figures 5 and 6). Global trade in fresh tropical fruits was estimated to be worth US$4.5 billion in 2008 compared to US$7.5 billion for bananas, US$6.2 billion for apples, US$3.3 billion for oranges and US$2.2 billion for pears.[7] Processed tropical fruits worth US$1.9 billion were also traded internationally in 2008.

Asia exported 918 000 tonnes of fresh tropical fruit in 2008, compared to nearly 3 million tonnes by Central and South America and the Caribbean countries. The **Philippines** was the largest Asian exporter with shipments estimated at about 317 000 tonnes.[8] Minor tropical fruits are mainly traded within the Asian region with China, Malaysia and Singapore as the main buyers.

Domestic consumption growing in Asia

Rising urban and rural incomes in Asia have been accompanied by increased fruit consumption. In China, where apple and citrus fruits comprised nearly half of fruit consumption in 2007, demand for bananas and tropical fruits has grown steadily as a result of increasing incomes, population and health awareness.[9]

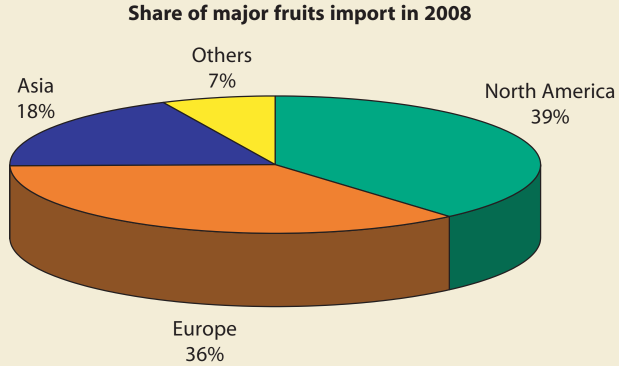
With its relatively low per capita tropical fruit consumption, China offers considerable potential for growth, especially in rural areas (see Figure 7). A large portion of the country's growing demand for tropical fruits will have to be met from imports in view of land constraints and the huge population.

[7] Ibid

[8] *Tropical fruits compendium*, FAO, 2009

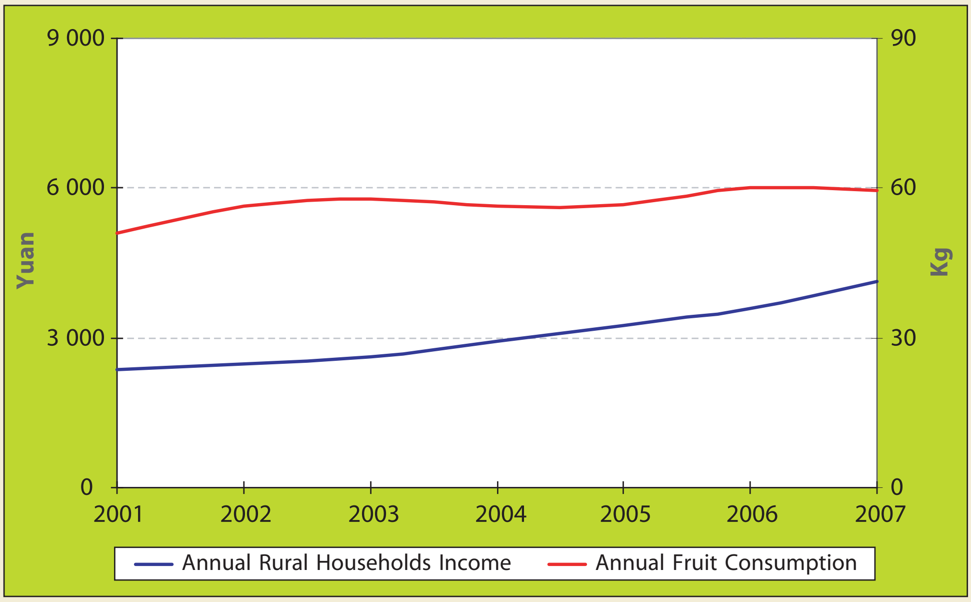
[9] *Demand responses to prices, income and other factors in the Chinese banana and selected tropical fruits markets*, FAO, 2009 ftp://ftp.fao.org/docrep/fao/meeting/018/k6108e.pdf

Figure 6: Tropical fruits imports by region in 2008 (% of US$4.5 billion)



Source: *FAO*

Figure 7: Annual rural household income and fruit consumption in China



Source: *FAO*

India exports less than 1 percent of its fruit production. Domestic consumption of fruits grew by 12 percent between 1995 and 2002 and there is considerable potential to increase fruit consumption in rural areas.[10] Indian household fruit consumption is estimated to have grown by 5 percent annually between 1990 and 2003 keeping pace with the 3.75 percent growth in per capita income during the same period.[11]

An assessment by the Indian Agriculture Research Institute (IARI) found the income elasticity of fruit demand in rural areas to be 0.28 for the highest income groups and 0.83 for the lowest income group while the corresponding figures for urban areas were 0.29 and 0.78 respectively.[12] High fruit retail prices are a major constraint for middle to low income households.

Challenges

The majority of tropical fruit producers in Asia are smallholders who face challenges in the form of high post-harvest losses and improving fruit quality. They also need capacity-building support in order to comply with international phytosanitary import requirements while keeping their prices competitive with producers in Central and South America.[13]

FAO advocates policy support to small producers and processors through easier access to credit and technology and timely market information.[14] Small producers in Asia will also benefit from local institutional support in the form of smallholder production and processing cooperatives.

[10] *Market profile on tropical fruits in India*, FAO, 2005
[11] Ibid
[12] Ibid
[13] *A case study of tropical fruits in Asia, with special reference to mangoes and pineapples*, FAO, 2009
[14] *Review of the world market situation for bananas and tropical fruits*, FAO, 2009

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