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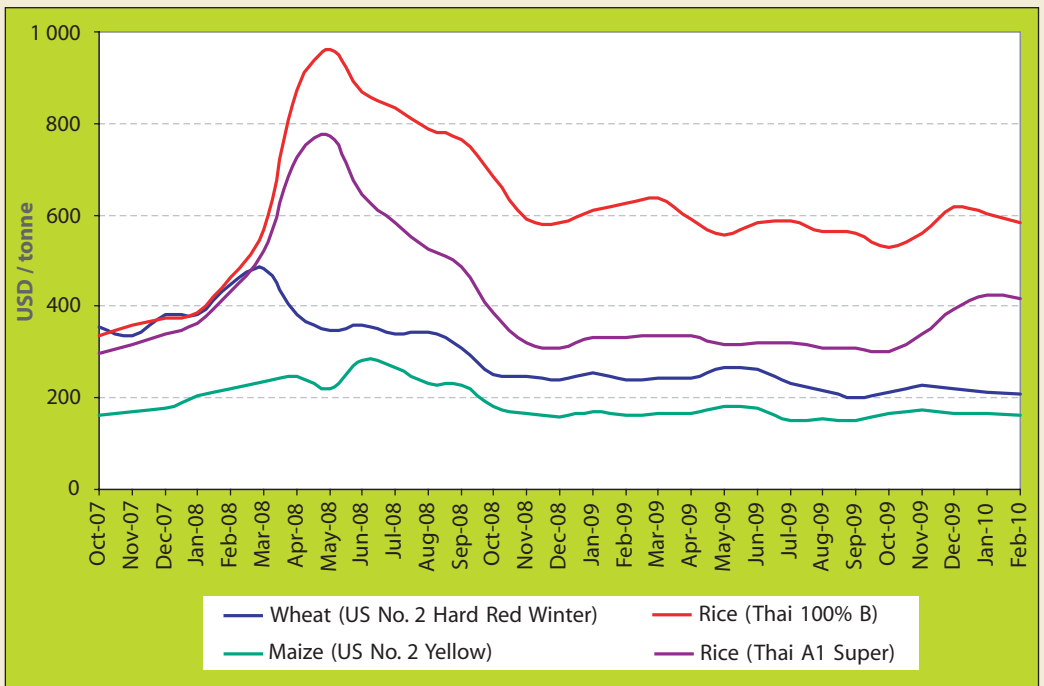


US\$23.6 million appeal to rebuild agricultural livelihoods in north Sri Lanka

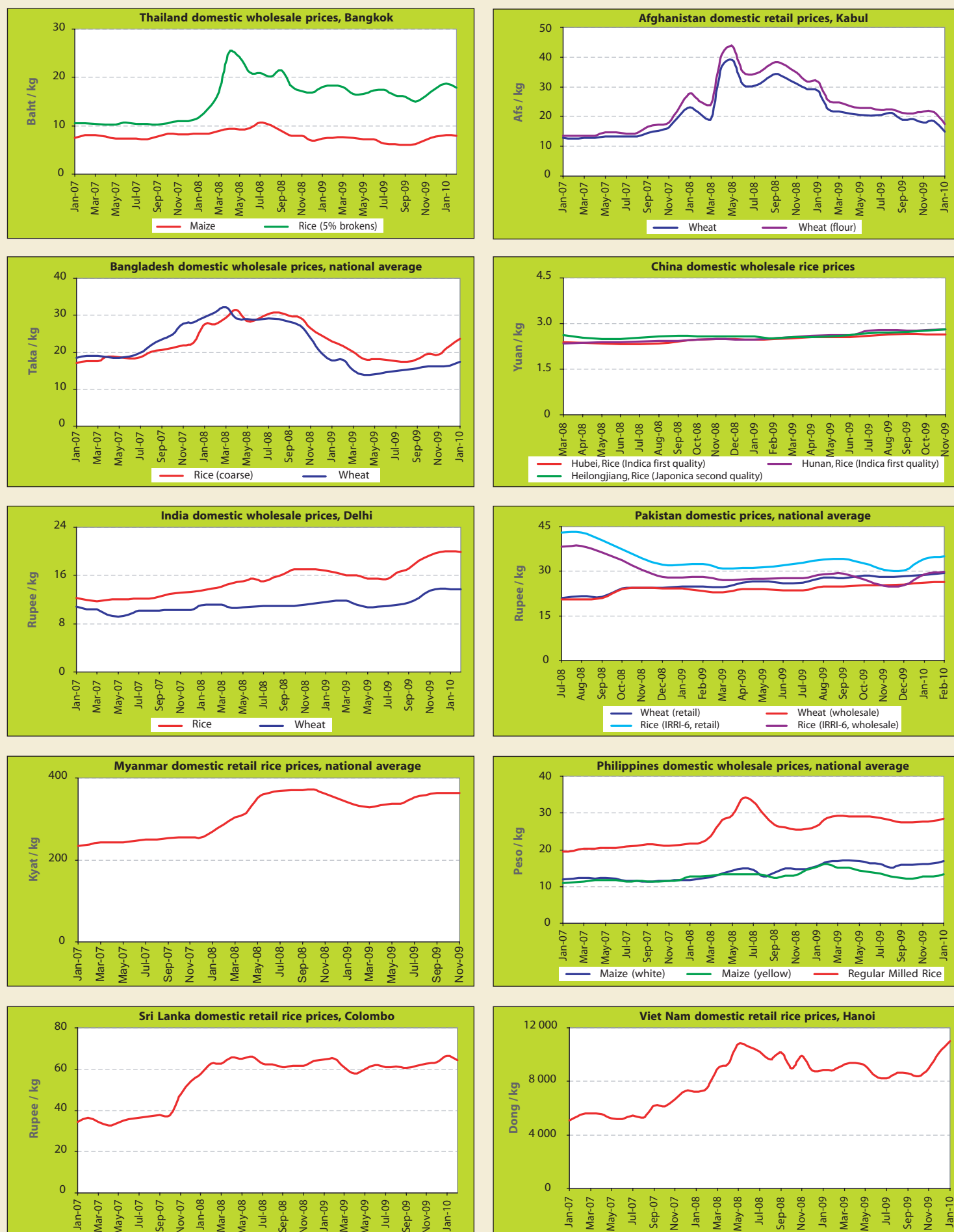
As tens of thousands of internally displaced people return to their home in the north of **Sri Lanka**, FAO, with other UN agencies has issued an appeal for emergency financial assistance to help restore their predominantly agriculture and livestock-dependent livelihoods shattered by nearly three decades of armed conflict. Nearly 130 000 Sri Lankans had returned to the region by the end of 2009 and many more were expected to follow them soon. The US\$23.6 million appeal aims to support over 50 000 rural families rebuild their lives. Crop cultivation, livestock and fisheries are the primary livelihood for an estimated 80 percent of the people in the northern Sri Lanka and

urgent action is needed to boost crop, livestock and fisheries production, FAO said in a statement. With funding from the **Swedish International Development Agency** (SIDA), FAO has provided rice, cowpea, green gram, maize and groundnut crops as well as agricultural training to more than 6 600 farm households in Jaffna, Vavuniya and Mannar for the 2009-2010 *Maha* (October to March) season. Funds from the **United Kingdom Department of International Development** (DFID) enabled FAO to provide farm inputs and training for paddy cultivation to some 11 000 families for the current *Maha* season. Likewise, the **Australian Government** is funding FAO efforts to provide integrated agriculture and food security support to 6 000 newly resettled families in north Sri Lanka for the April to September 2010 *Yala* crop.

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 (January, February 2010 data for Thailand based on updated estimates)

Severe winter kills over 2 million livestock in Mongolia

Temperatures of up to minus 50 degrees Celsius had killed more than 2.8 million heads of livestock in Mongolia by the end of February 2010, seriously jeopardising the livelihoods and food security of nomadic herders who comprise a third of the country's population. Fourteen of Mongolia's 21 provinces were affected by the extreme weather known locally as Dzud. FAO received US\$600 000 from the Central Emergency Response Fund (CERF) to urgently provide essential livestock inputs to the most vulnerable herder families and save their remaining animals. Another US\$0.8 million was in the pipeline for further support to vulnerable herder families. An Emergency Dzud Response Appeal was being prepared with the coordination of the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA). FAO coordinates emergency response efforts in the agriculture sector in Mongolia.

Sluggish demand and large Thai government stocks pull international rice prices down

Reduced demand from **Africa**, a pause in purchase by the world's biggest rice importer the **Philippines** and bulging government stocks in **Thailand** exerted downward pressure on international rice prices in February. Thailand's benchmark 100%B and A1 Super varieties traded at an average of US\$582 per tonne and US\$417 per tonne, respectively, in the first three weeks of February down from US\$601 and US\$426 a month earlier (see Figure 1). Thai rice exporters were expressing concern that buyers who had contracted in

early January at much higher prices were seeking shipment delays. **Viet Nam's** 25% broken white rice was reported quoted at between US\$360 to US\$380 a tonne in late February, about US\$50 less than at the beginning of the month.

The Thai government cancelled again, its second attempt in less than a month to auction part of its estimated 5.6 million tonnes of stocks procured under the rice support scheme after exporters bid much less than they did last time. The latest offer of 500 000 tonnes, including 350 000 tonnes of 5% broken white rice, drew bids ranging between 11 765 and 15 550 Baht per tonne. The government said it would auction another 300 000 tonnes of rice through the Agricultural Futures Exchange of Thailand and was also reportedly negotiating government-to-government deals with a number of countries in Asia, Africa and Central Asia. Thailand also reportedly reached an agreement with the Philippines on Manila's annual tariff-free Thai rice import quota which has been set at 376 000 tonnes. Meanwhile, Thailand said rice imports from neighbouring countries under the ASEAN Free Trade Area (AFTA) Agreement which took effect in January could only be used for food processing. The imports would be allowed twice a year through five border points. With El Niño conditions forecast to result in the country's worst drought in five years, agricultural authorities in Thailand were advising paddy farmers to restrict off-season crop plantings.

The world's biggest rice producer **China** sought to increase plantings by hiking the government support

price to farmers by 10.5 percent to about US\$300 per tonne for short grain rice paddy. Rice farmers in the country have to sell a specified portion of the harvest to state granaries at pre-announced prices.

Viet Nam's rice exports were expected to gain from the Dong's devaluation in February – the second time within three months, although exporters were worried by the falling prices. Major exporters in the country have been buying from farmers since August last year following a government directive and combined with the coming harvest, the procured stocks were expected to push prices down. The Vietnam Food Association was urging member exporters to buy from the bumper winter-spring crop being harvested in the Mekong Delta and stock it for a few months to shore up prices. The country has already clinched export deals for 2.3 million tonnes so far this year at higher prices.

With El Niño expected to slash its paddy harvest this year, the **Philippines** was planning to import an additional 200 000 to 250 000 tonnes of rice this year above the 2.3 million tonnes already contracted for 2010. The Department of Agricultural Central Action Center estimated that more than 150 000 ha of farm land was affected by the drought which was estimated to damage 3 billion Pesos (about US\$65 million) worth of rice and maize crop.

Aiming to become a major global food producer, **Indonesia** was reported to be inviting foreign and domestic investors to develop large agricultural estates in remote regions of the archipelago nation, starting in the eastern province of

Papua which is well suited for rice, corn, soybean and sugar cane cultivation. Investors from Japan, South Korea and the Middle East had reportedly expressed interest.

High prices of staple cereals, pulses and sugar in **India** triggered protests by political opposition parties. The government was yet to decide on rice imports and expected to purchase about 27 million tonnes from paddy farmers this year. The top economic policy advisory panel suggested imports if paddy procurement fell below this mark. The panel also advised immediate imports of up to 5 million tonnes of sugar with India's 2010 sugar output projected to fall short of demand by about 8 million tonnes. The panel recommended partial substitution of rice with wheat in food security safety net schemes as another bumper wheat harvest was expected in 2010.

The average price of wheat in **Afghanistan** in mid-February was recorded at 15.7 Afs per kg, little changed from the preceding month. In **Pakistan**, retail wheat

and rice (IRRI-6) prices in mid-February were, respectively, 2.26 and 2.27 percent above those in January (see Figure 2). However, wheat and rice prices in the country decreased at Sargodha due to improved stocks. IRRI-6 prices in other parts of the country rose as exporters bought more. Pakistan had exported some 2.04 million tonnes of IRRI-6 rice between July 2009 and mid-February 2010 and about 570 000 tonnes of basmati.

Rice production, consumption and prices in Asia

Rice is the staple food of some 3 billion people, most of them in Asia which accounts for 90 percent of global production of the cereal and almost 90 percent of global rice consumption (see Figure 3).

Per capita consumption declining....

Per capita rice consumption is stagnant or declining in the region as rising incomes lead to diversification of diets beyond staple cereals (see Figure 4). In most Asian countries, FAO estimates show

annual per capita rice consumption declined from a peak of 122 kg in 1984 to 114 kg in 2001 in East Asia and from a high of 89 kg in 1991 to 83 kg in 2001 in South Asia.¹ The trend is projected to continue.

....but production must increase to feed a growing population

However, as population is still growing, total rice consumption is also increasing, although at a slower rate. FAO estimates that an additional 1 billion tonnes of cereal will be needed by the year 2050 to feed the more than 9 billion people in the world by then, over 5 billion of whom will be in Asia.

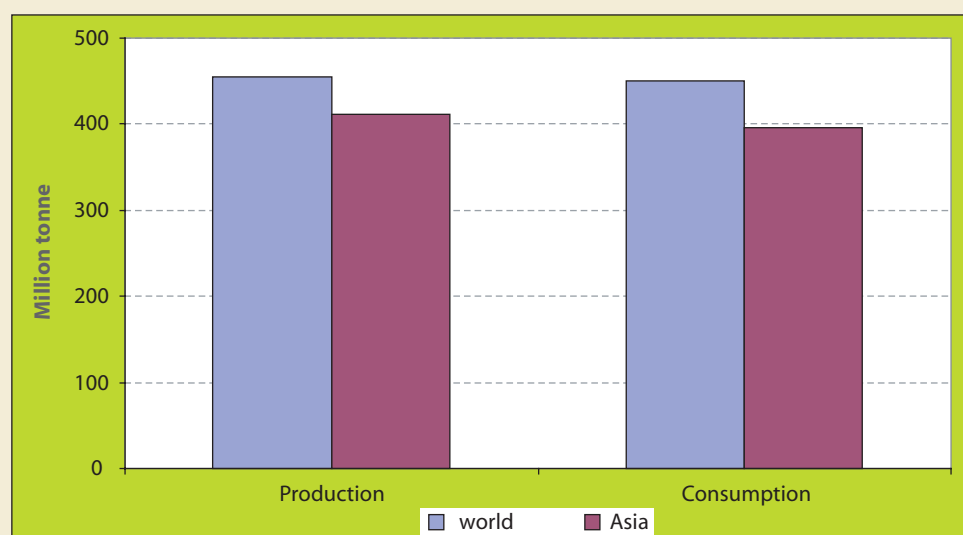
Although the share of rice in daily per capita calorie consumption is declining in the region with the exception of the Philippines, the cereal still contributes a significant share of dietary energy in a number of Asian countries (see Figure 5).

Keeping rice prices affordable

Ensuring that rice prices remain affordable is a vital policy concern of governments in the Asia-Pacific region which has about two-thirds of the world's over 1 billion hungry people. International rice prices began increasing after 2004 (see Figure 6).

The record surge in cereal prices in 2008 made an additional 40 million people food-insecure in Asia and the Pacific. A major reason for the food price crisis was the reduction in supply as world cereal production fell below utilization for an

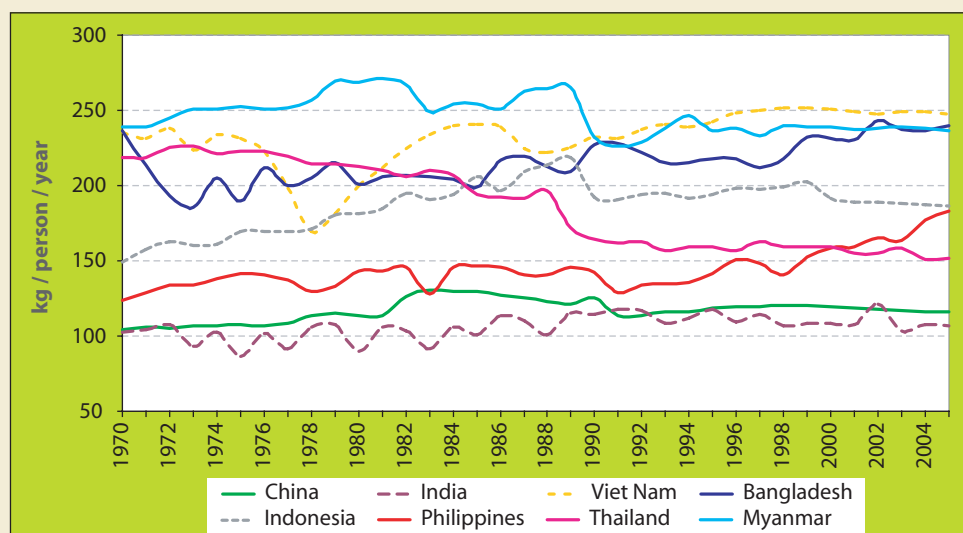
Figure 3: Asian share of world rice production and consumption



Source: FAO Regional Office for Asia and the Pacific

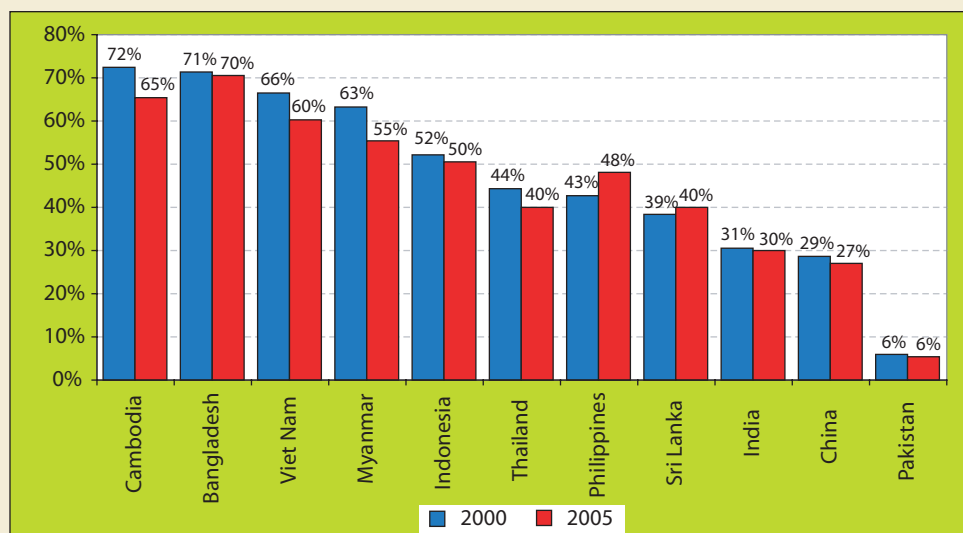
¹ World agriculture; towards 2030/50, FAO, 2006 <http://www.fao.org/es/esd/AT2050web.pdf>

Figure 4: Per capita rice consumption in Asia



Source: FAO Regional Office for Asia and the Pacific

Figure 5: Share of rice in per capita calorie consumption (2000-2005)



Source: FAO Regional Office for Asia and the Pacific

extended period starting in 1999. For the first time in four decades, rice production declined for four successive years before recovering in 2003.²

The price shock of 2008 highlighted the need for boosting rice production to not only keep pace with human consumption but also to meet the growing animal feed

and industrial use needs for the cereal.

Boosting Asian rice production

The 1999-2002 reduction in the global rice harvest was mainly caused by a sharp decline in harvested area.³ The average world rice yield has also grown at a much slower rate since 1991. Between 1976 and 1990, rice yield increased by 1.07 tonnes/ha but only by 0.59 tonnes/ha from 1991 to

2006.⁴ Global rice production grew by 171 million tonnes between 1976 and 1990 largely due to the productivity increase with the harvested area growing by 5 million ha. During 1991-2006, a 10 million ha increase in the harvested area resulted in a smaller production growth of 126 million tonnes.⁵

The growth in paddy yield has been slow in most Asian countries. In Thailand, the world's biggest rice exporter, yield increased from 2.02 tonnes/ha in 1970 to 2.9 tonnes/ha in 2008 (see Figure 7). **China**, **Indonesia** and **Viet Nam** recorded the biggest gains in yield in the past three decades. The world's fifth largest producer, Viet Nam saw the largest increase since 1991 with the country's average paddy yield growing from about 3 tonnes/ha to over 5 tonnes/ha by 2008. Indonesia, the world's third largest paddy producer, more than doubled yield to 4.89 tonnes/ha in the same period. Rice yields in the region range from **Thailand's** about 3 tonnes/ha to about 6.5 tonnes/ha in China.

Bridging yield gaps

According to FAO projections, some 70 percent of food crop growth in developing countries by the year 2050 will have to be derived from improved yields.⁶ FAO projections show that unlike wheat and maize, the gap between countries with the highest and lowest rice yields is likely to be somewhat narrowed by 2050 which

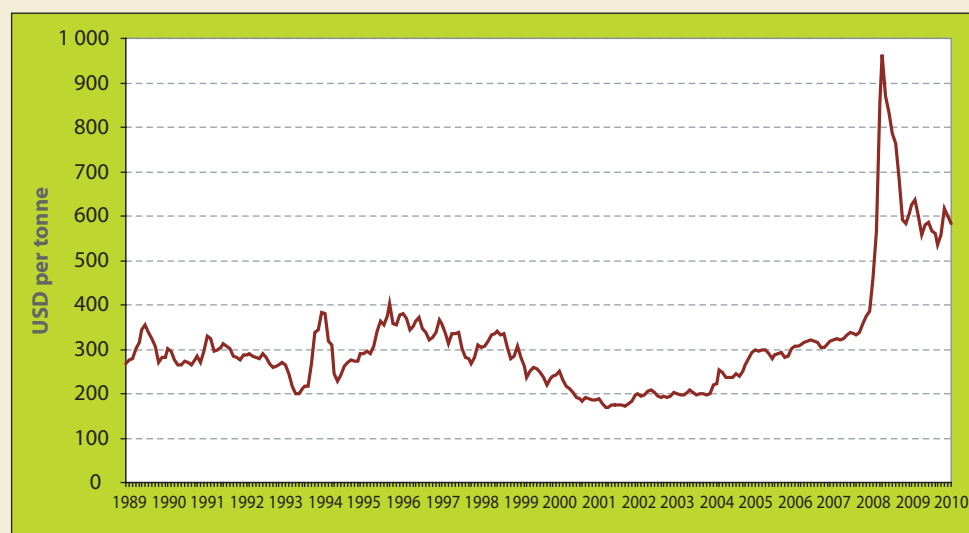
⁴ Ibid

⁵ Ibid

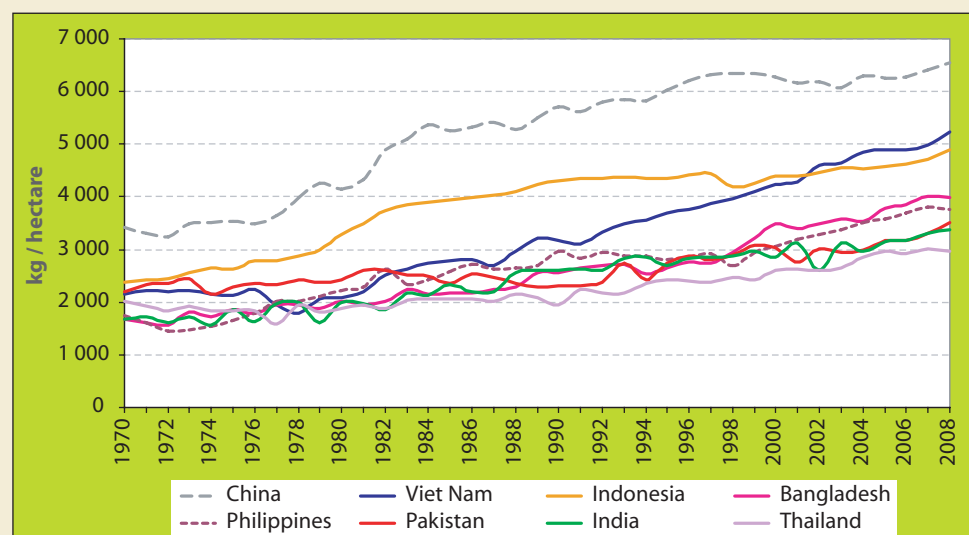
⁶ *The resource outlook to 2050. By how much do land, water and crop yields need to increase by 2050*, Jelle Bruinsma, FAO, 2009 <http://ftp.fao.org/docrep/fao/012/ak971e/ak971e00.pdf>

² *Sustainable intensification of rice production for food security in the near future*, International Rice Commission <http://www.fao.org/fileadmin/templates/agphome/documents/Rice/sustintriceprod.pdf>

³ Ibid

Figure 6: Price of Thai 100%B white rice F.O.B. (1989-2010)

Source: FAO Regional Office for Asia and the Pacific

Figure 7: Rice paddy yield in selected Asian countries

Source: FAO Regional Office for Asia and the Pacific

indicates that the scope for raising the highest rice yields attained so far may be more limited now.⁷ For

example, in **India**, although rice yield growth is slowing, actual yields are still largely far below the

agro-ecologically attainable levels. In India, most rice production is rainfed and yields in areas covered by irrigation are close to those in China which has the highest productivity in Asia.

According to FAO, realizing potential yields will require stepped up public investments, particularly in agricultural research and sustainable natural resource management.⁸ This necessitates reversing the declining trend of investment in agricultural research and development, and improving agricultural infrastructure and institutions.

Rice production also has to confront the challenge of climate change and scarce water, land and energy resources. The challenges vary among the different rice ecosystems. But technology improvements hold the potential to boost rice production without negative environmental consequences.⁹

⁷ Ibid

⁸ *How to feed the world in 2050*, FAO, 2009 http://www.fao.org/fileadmin/templates/wsfs/docs/expert_paper/How_to_Feed_the_World_in_2050.pdf

⁹ *Sustainable intensification of rice production for food security in the near future*, International Rice Commission

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