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ASIA PACIFIC FOOD SITUATION UPDATE

Mekong region drought to affect 2010 Asian paddy harvest

Drought conditions in the greater Mekong region at the start of the planting season are expected to affect Asia's 2010 paddy harvest according to the latest FAO assessment¹ which lowered earlier projections for the region by 6.1 million tonnes. Reductions are expected in **Cambodia**, **Myanmar** and **Thailand** as well as in the **Philippines** and **China**. However, Asia's 2010 paddy production, projected at 637.3 million tonnes (425.2 million tonnes on milled basis), would be some 23 million tonnes over that in the preceding year, led by gains in **India**, following

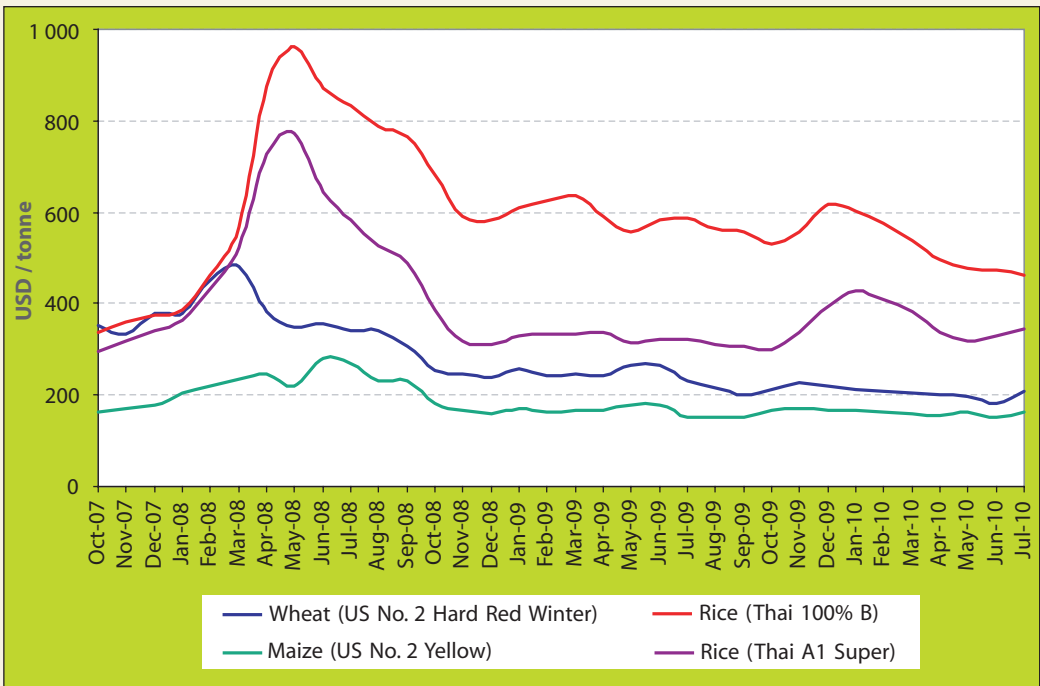
the 2009 severe drought there, along with **Bangladesh** and **Indonesia**, among other countries. The 2010 global paddy harvest is projected at a record 704.4 million tonnes (470 million tonnes on milled basis), driven by a 3 percent increase in plantings.

Little change in Asian rice export prices

The benchmark Thai 100% B rice export price slipped to US\$464 per tonne FOB in the last week of July from US\$475 at the end of June while Thai A1 Super increased to US\$346 per tonne from US\$330 at the end of June (see Figure 1). There was significant

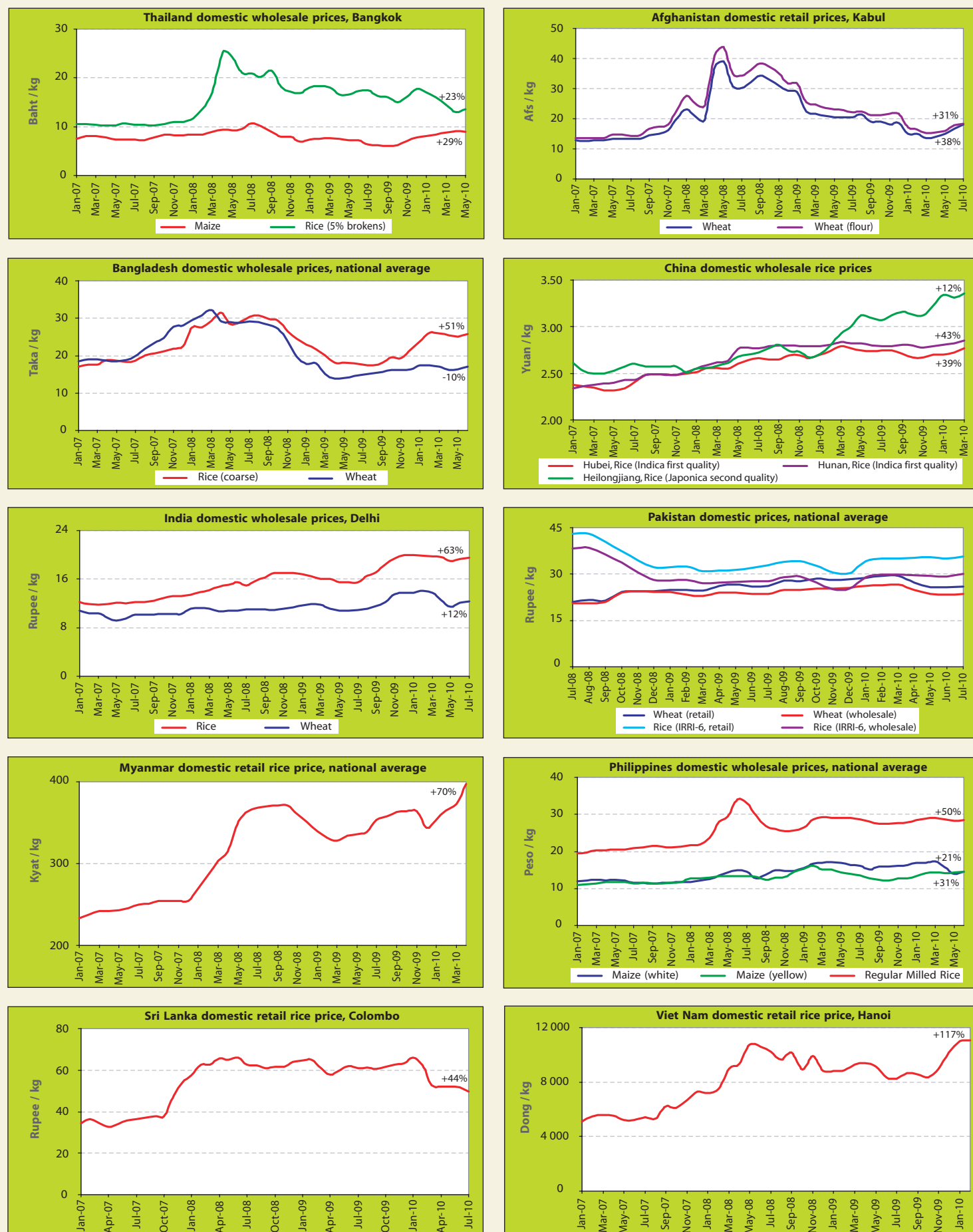
¹ Rice Market Monitor, June 2010, FAO <http://www.fao.org/economic/est/publications/rice-publications/rice-market-monitor-rmm/en/>

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
(Percentages indicate changes in prices from pre-crisis levels in January 2007)

gain in international cereal prices with US Wheat No. 2 Hard Red Winter increasing by 14 percent to US\$207 per tonne in July and US Maize No. 2 Yellow trading 6.5 percent over its June price at US\$162 per tonne in July (see Figure 1).

Rice exports by **Thailand** remained affected by sluggish demand and competition from Viet Nam where equivalent rice traded about US\$100 cheaper. The Department of Foreign Trade estimated Thailand's total rice exports in 2010 till mid-July at about 4.3 million tonnes, 8.1 percent below the same period last year. The Thai Government was reported planning to sell through government-to-government deals, about half of its stockpile of more than 5 million tonnes of rice acquired through the market intervention programme. The weekly reference price for white rice under the government's price guarantee scheme was set closer to the market price of about 7 900 Baht/tonne in the last week of July from over 8 000 Baht/tonne in the preceding week. Participating farmers are paid the difference between the white rice guarantee price of 10 000 Baht/tonne and the reference price. Persisting drought conditions in the country's main rice growing regions saw farmers being advised to defer rice planting till August when more rains were expected. Thailand, the world's second-biggest sugar exporter, imported the commodity for the first time in 30 years to tame rising domestic prices.

Deficient rains had also affected paddy plantings in **Cambodia** and FAO projected the country's 2010 paddy harvest at 5.9 million tonnes, 22 percent below last year's out-

put.² Drought conditions were also reported to have delayed paddy sowing in **Myanmar**. Timely rains in **Lao PDR** were estimated to increase the country's 2010 paddy output by 4 percent to 3.2 million tonnes with farmers expected to plant more in view of the recent increase in rice prices caused by the 2009 drought and localised floods.³ The Lao Government was to use its food buffer stocks to keep prices in check.

Government intervention shored up falling rice prices in **Viet Nam** after the bumper summer-autumn harvest in the Mekong Delta. State agencies and businesses were instructed to buy 1 million tonnes of rice between mid-July and mid-September at prices that would guarantee a profit to farmers with private sector purchasers being offered interest-free loans to buy the rice. The country's 2010 paddy harvest was estimated at 39.1 million tonnes, 1 percent over the preceding year, due to a larger winter-spring crop estimated at 19.2 million tonnes.⁴

After El Niño-induced dry conditions sharply reduced the 2009-10 paddy harvest in the **Philippines**, the country was bracing for heavy rains forecast in the second half of 2010 caused by likely La Niña conditions. However, with the Department of Agriculture targeting the planting of hybrid rice varieties over 161 000 ha in the main crop seasons starting in July, the country's 2010-11 paddy production was forecast to increase by 10 percent over the drought-hit 2009 output estimated at 15.5 million tonnes.⁵ The new

Government in Manila said it aimed to reduce the country's dependence on rice imports by boosting local productivity of the cereal and announced plans to replace subsidized rice sales with a system of direct cash transfers to identified poor households. Retail prices of regular milled rice across the country averaged P 30.9/kg in the third week of July, nearly 1 percent below the price one year ago.⁶

Paddy production in **Indonesia**, with the secondary rice crop being harvested in July, was forecast at 65.2 million tonnes, 1 percent over the 2009 harvest.⁷ In view of the recent increase in rice prices across the country, the state logistics agency Bulog was reported planning a market intervention to stabilize staple cereal prices during the coming Muslim holy month.

After a slow start, the monsoon rains picked up in **India**, aiding the planting of rice and other monsoon staple crops. The Indian weather office estimated the rains were 15 percent below normal since their scheduled onset on 1 June. The Government informed parliament it would promote hybrid rice technologies to boost milled rice production to 100 million tonnes during the 2010-11 season. The National Food Security Mission has targeted extending hybrid rice cultivation to 3 million ha by 2011-12. The 2009-10 rice output, reduced by the deficient monsoon last year, was estimated at 89.3 million tonnes, more than previous estimates largely due to the improved winter crop.⁸ State support prices for the 2010 rice and

² Ibid

³ Ibid

⁴ Ibid

⁵ Ibid

⁶ Philippines Bureau of Agricultural Statistics <http://www.bas.gov.ph/>

⁷ Rice Market Monitor, June 2010, FAO

⁸ Ibid

pulses crop were enhanced to encourage more plantings. The Indian Government continued with the export ban on non-basmati rice while allowing sales of 300 000 tonnes of rice and wheat to Bangladesh and Nepal. Rice and wheat retail prices remained stable in recent months in the main metropolitan cities (see Figure 2).

Bangladesh was to import up to 100 000 tonnes of rice from Viet Nam to ensure adequate supplies during the coming Muslim holy month.

The Government of **Sri Lanka** was planning a rice buffer stock to avoid future shortages. While rice retail prices in Colombo were lower in July at about Rs 50/kg compared to nearly Rs 52 a month earlier (see Figure 2), the retail price of wheat flour surged to nearly Rs 72/kg in July from about Rs 63/kg in June 2010 and was at the highest level since December 2009.⁹

Wheat prices increased slightly in mid-July **Afghanistan** to Afs 13.9/kg from the June average of Afs 13.5/kg, although this was 16 percent below the wheat retail price one year ago. Wheat and wheat flour retail prices increased in Kabul (see Figure 2), but decreased in Jalalabad and Kanadahar from Afs 17/kg in June to Afs 16/kg and Afs 15/kg, respectively, in July.¹⁰ Flash floods caused by heavy monsoon downpours displaced thousands of people and claimed scores of lives in northeast Afghanistan in late July.

Pakistan was reeling under the worst floods in eight decades with

international relief agencies estimating over 2 million people affected and more than 1 000 killed by the flooding which began in late July, triggered by heavy monsoon rains in the country's northwestern region. The natural disaster followed earlier FAO estimates projecting Pakistan's 2010 paddy crop at 10.2 million tonnes, 1 percent over the preceding year, helped by increased sowing and improved use of fertilizers and hybrid seeds as well as favourable prices supported by brisk exports. Rice traders in the country had developed new markets in Africa and the country was projected to export a record 3.8 million tonnes of rice in 2010, replacing the United States as the world's third largest rice exporter.¹¹ Cereal prices remained stable across the country with a national average wheat retail price of Rs 26/kg and the staple IRRI-6 rice retailing at Rs 35.6/kg (see Figure 2).

FAO offers free access to world's largest online database on food and agricultural information

FAO has opened access to its central database known as FAOSTAT, the world's biggest and most comprehensive statistical information base on food, agriculture and hunger. Earlier, free access was granted to a limited amount of FAOSTAT data. "We are now providing totally free access to this immense pool of data. This information is an important tool in the fight to alleviate poverty, promote sustainable development and eliminate hunger. We're particularly keen on making sure that economists, planners, and policy-

makers in the developing world, where that tool is needed most, can get at it and put it to good use," said Hafez Ghanem, FAO Assistant Director-General for Economic and Social Development. Comprising over 1 million data points covering 210 nations, FAOSTAT covers agricultural production, usage of fertilizers and pesticides, food aid shipments, food balance sheets, forestry and fisheries production, water and land use, population trends, agricultural trade and use of agricultural machinery, among others. Records go back to 1961.

Safe limit for melamine content in food

The United Nations' food standards body, Codex Alimentarius Commission, has agreed on safe limits for melamine content in food. Thus, powdered infant formula should not have melamine content above 1 mg/kg while this should be a maximum of 2.5 mg/kg in other foods and animal feed, the Commission ruled at its 33rd Session attended by 500 delegates from about 130 countries. Melamine is widely used in the manufacture of plastics used in food storage dishes and kitchenware and traces of it are unavoidable in food but it can be toxic at high levels.

Tea and food security

Tea – black and green – is an important cash crop in Asia and the Pacific. Developing countries in the region produced 2.9 million tonnes of tea in 2008, out of a total world production of 4.7 million tonnes that year.¹² China with

⁹ FAO-GIEWS National basic food prices <http://www.fao.org/giews/pricetool/>

¹⁰ Ibid

¹¹ Rice Market Monitor, June 2010, FAO

¹² FAOSTAT <http://faostat.fao.org/site/291/default.aspx>

1.25 million tonnes and India with 805 180 tonnes were the two biggest tea producers.

Black tea comprised about 65 percent of total tea production over the past five years, 67 percent of consumption and 80 percent of trade. China is the world's leading tea exporter, followed by Kenya, Sri Lanka and India. Sri Lanka's tea exports accounted for 50 percent of its agricultural export income and paid for nearly 60 percent of Sri Lanka's food imports.¹³

Tea yields declined in South Asia from about 1.7 tonnes/ha in 1998 to about 1.6 tonnes/ha in 2008 – from about 1.9 tonnes/ha to 1.7 tonnes/ha in India and from 3.7 tonnes/ha to 0.9 tonnes/ha in Nepal over this period. However, an increase in harvested area saw total tea production grow in these countries, most significantly in Nepal where production increased more than five-fold between 1998 and 2008 despite the sharp reduction in yield.¹⁴

Boosting domestic consumption

The sole international tea body, FAO's Inter-Governmental Group (IGG) on Tea, recommends boosting

domestic tea consumption as consumers in tea-producing nations drink just 10 percent of those in major importing nations. In a recent report¹⁵, the IGG has highlighted the need to tap opportunities for promoting tea drinking in view of its increasingly recognized health benefits.

However, the group advises against increasing the size of tea plantations as this could affect prices. The report notes that the export market for green tea would grow more quickly over the next decade than for black tea. While tea exports are projected to grow worldwide by 1.8 percent till 2019, green tea exports would grow as much as 5.5 percent annually.

Rising prices translate into increased rural incomes

Strong international demand has sustained a rise in world tea prices since 2007. In 2009, the FAO Composite Price for tea, the indicative world price for black tea, increased by 13 percent, pushing prices to record levels due to drought in some of the key tea-producing countries in Asia and Africa.

However, the resulting 7 percent increase in export earnings at the global level translated into significant positive impact on rural incomes and household food security in tea producing countries.¹⁶ Although prices declined in 2010, these remain high by historical standards.

The report notes constraints to tea production growth in north India in the form of limited land availability. The corporate tea sector in the region grew minimally over the past two decades although small grower-driven growth took off since 2000.

Although the global tea industry is "poised for a period of unprecedented growth", the industry "remains vulnerable to fear of pesticides, concern for food safety, social welfare and environmental issues", says the report.

¹³ Ibid

¹⁴ FAOSTAT

¹⁵ *Report of the nineteenth session of the Intergovernmental Group on Tea, New Delhi, India, 12–14 May 2010* <http://www.fao.org/docrep/meeting/019/K8336E.pdf>

¹⁶ Ibid

Economic and Social Department Group (RAPE)

FAO Regional Office for Asia and the Pacific

39 Phra Atit Road, Bangkok 10200, THAILAND

Phone: +66-2-697-4250

E-mail: FoodAsia@fao.org

To subscribe, please e-mail mailserv@mailserv.fao.org, leave the subject blank and type subscribe Food-Asia-L