ASIA PACIFIC FOOD SITUATION UPDATE

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

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Food Price Index registers first decline in nine months

The month of March saw a slight easing of global food prices as the FAO Food Price Index fell 2.9 percent for its first decline since June 2010. Nonetheless, food prices remained at poverty-inducing levels, were 37 percent higher than at the same time last year, and the global decline masked rising prices of key commodities in certain countries and regions.

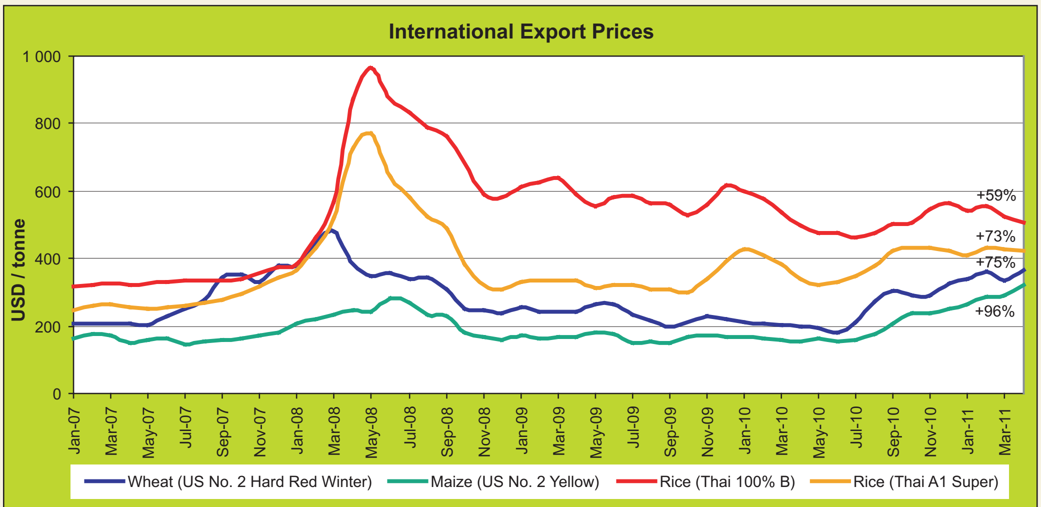
"There is no cause for complacency, especially in view of the continuous rise of crude oil prices which increased nearly 50 percent since last September.'' said FAO Regional Representative for Asia and the Pacific Hiroyuki Konuma. "One month is not a trend, and the overall conditions that have been forcing food prices higher have not changed. The international price of maize continues to set new record highs, and wheat prices have been rising again. Countries still need to invest more in agriculture for a long-term sustainable solution to the problem of rising food prices."

The overall decline in the FAO index was driven by falling average prices for sugar, oils and fats, and some cereals. International grain prices were volatile during March and April, although export rice prices in Asia fell slightly while domestic rice prices remained generally stable. Meat and dairy products, on the other hand, continued to rise.

The steepest drop was in sugar, as the FAO Sugar Price Index dropped by 10 percent. The FAO Oils/Fats Price Index fell by 7 percent, while the FAO Cereal Price Index registered a 2.6 percent slip.

Both world wheat and maize prices went on a roller-coaster ride during March and April, hurtling downward during the early days of the March, only to reverse course and begin climbing again before the month was done and start soaring again in April. Political instability in some wheat importing countries was cited as a cause for price drops, but these were muted by concerns over dry conditions in wheat producing regions of the **United States**. The benchmark US No. 2 Hard Red winter

Figure 1: Selected international cereal prices



Source: International Grain Council and USDA, Thai Department of Foreign Trade (DFT) wheat averaged US$334 per tonne, down nearly 8 percent from February, but still 63 percent higher than March 2010. That drop did not last, however, as preliminary figures for April show that US No. 2 had risen by 9.12 percent (Figure 1). Maize rose even more rapidly at 10.64 percent.

Not all regions enjoyed falling prices. Several countries in the Commonwealth of Independent States in Central Asia suffered from sharp increases in the prices of wheat and wheat flour. Most are heavily dependent upon wheat imports. **Russia** saw steady rises, with flour roughly 20 percent more expensive than during March last year, and announced it would extend its wheat export ban until at least October at the end of the next harvest.

Mongolia also weathered wheat price rises, as bread was 14 percent more expensive in the capital Ulaanbaatar during February, the most recent month for which statistics were available. Mongolia depends upon wheat imports. In wheat-producing countries such as **India, Pakistan and Afghanistan**, prices of the key grain were stable because of favourable forecasts for this year's harvest.

Rice prices around the Asia-Pacific region generally were stable. The price of **Thailand**'s benchmark white rice 100 percent B actually declined by 3.15 percent to $507 a tonne, according to preliminary figures for April (Figure 1). Despite the decline, the level was still high. FAO's Rice Market Monitor is forecasting that the world rice trade in 2011 will expand by 1 percent to 31.8 million tonnes, an increase of 350 000 tonnes. This reflects increased imports by **Bangladesh, Malaysia** and **Taiwan**. Preliminary forecasts are also for world paddy production to rise by 3 percent to 720 million tonnes on good performances from Asian countries, particularly **China, India** and **Pakistan**. Output in Asia should reach 651 million tonnes, a 3 percent increase over 2010.

Domestic rice prices ease in several countries

On the domestic price front, Cambodia saw its rice prices drop by 2 percent in April. In **Sri Lanka** the price fell by 2.3 percent, and by about 0.6 percent in Bangladesh. In **Viet Nam**, rice prices continued their downward trend since January, although at a slower pace during March. Prices were still an average of 30 percent higher, however, than a year earlier. In the **Lao People's Democratic Republic** the price of rice in the capital Vientiane was stable but still 40 percent higher than in March 2010. In **India**, rice rose by about 1 percent, while in **China** it was unchanged or up by 1.5 percent depending upon variety. (Figure 2)

FAO and WFP to improve crises response with cluster approach

FAO and the World Food Programme (WFP) have joined forces to form a Food Security Cluster to coordinate and improve food security responses

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

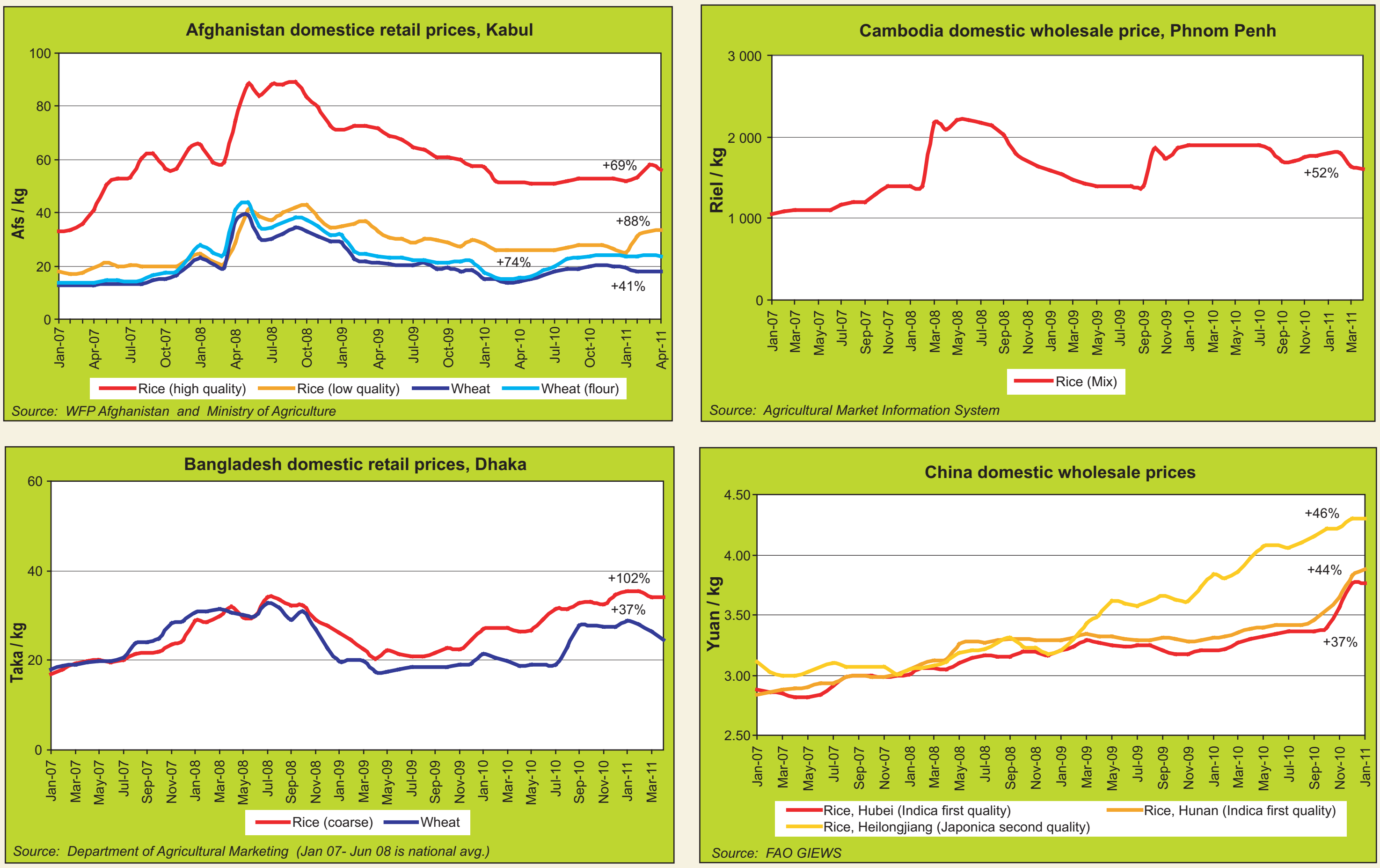
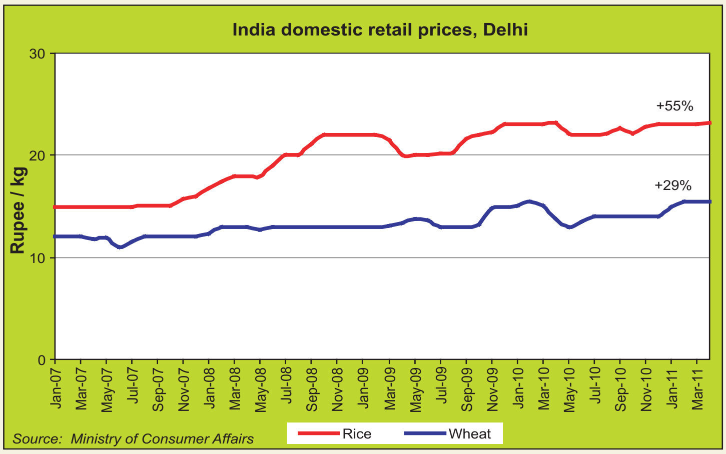
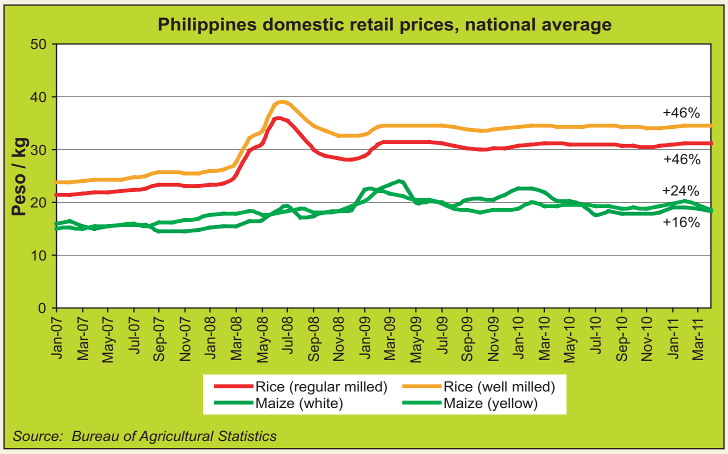
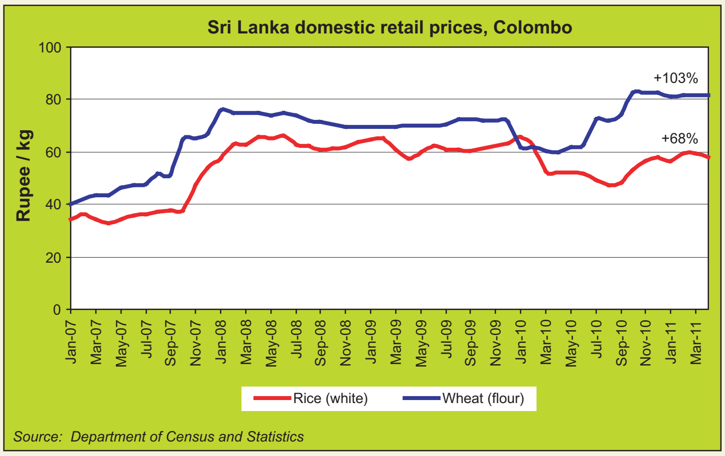
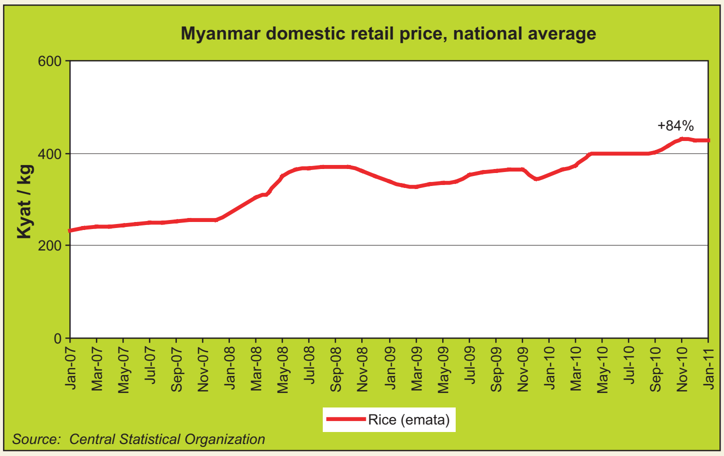


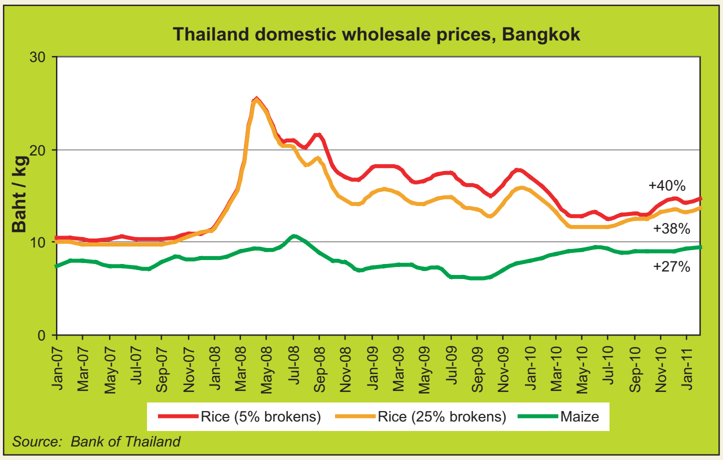
Figure 2: Trends in domestic prices for key commodities in selected countries *(continued)*

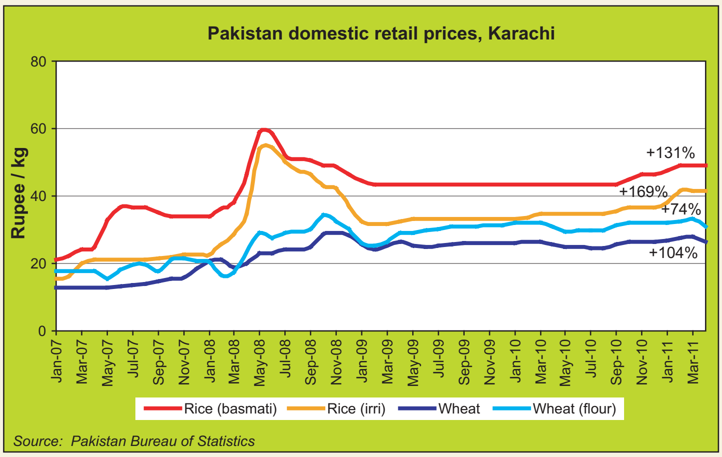


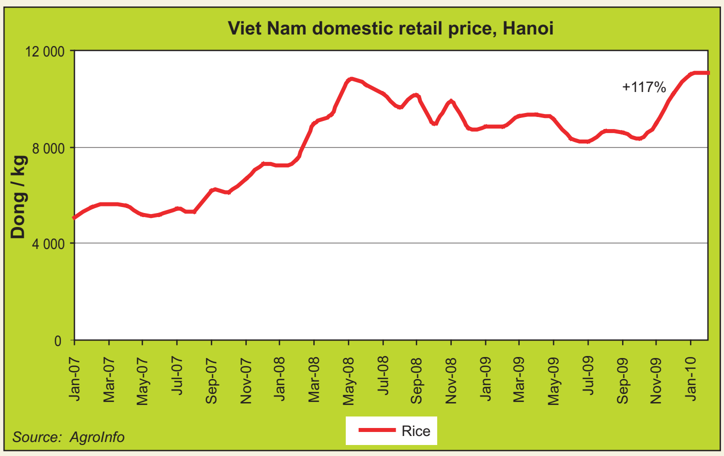












during humanitarian crises. Based in Rome, the cluster includes the International Red Cross and Red Crescent and several nongovernmental organisations, with FAO and WFP serving as lead agencies.

The Food Security Cluster will provide an international platform to support country-level food security initiatives. Food security clusters at country level are already operating in 25 countries around the world. These country-level clusters will receive support, if needed, in five areas: tools and guidance on how to coordinate responses more effectively; filling gaps in human resources in emergency situations; capacity building and training to country-level stakeholders so they can coordinate more effectively; improved information and knowledge management; and stronger advocacy on food security responses.

"Working together at international and country levels to better coordinate food security responses in crisis situations – from food assistance to support to food production and rebuilding agriculture-based livelihoods – can effectively improve the lives of people around the world affected by disasters and emergencies,'' said Changchui He, FAO Deputy Director-General (Operations).

The Humanitarian Aid department of the European Commission is providing support for the cluster's start-up and first year of operations. Additional funding is being provided by the Department for International Development (DFID) of the Government of the United Kingdom, and the Ministry of Foreign Affairs of Finland in the area of information management.

Indonesia urges consumers to skip rice

Faced with its own rice shortages and rising prices, the Government of **Indonesia** is urging the country's citizens to eat less rice. FAO statistics show that Indonesians consume 125.28 kilogrammes of rice per capita per year. The government has launched a "One Day, No Rice" campaign with posters featuring First Lady Ani Bambang Yudhoyono asking people to choose a day each week to skip eating the grain. Another program is subsidizing villages to grow more fruits and vegetables, and the Department of Agriculture produced an educational television series of mini-soap operas promoting a switch to cassava, sweet potatoes, corn and sago. No figures have yet been released to gauge whether the campaign is working and Indonesians are cutting down on rice consumption. On April 1, the government reintroduced import duties on rice as it attempt to boost its reserves to 2 million tonnes from 1.5 million tonnes through domestic procurement as good results are expected from the current harvest that is now underway.

ADB says food price inflation could make 64 million Asians poor

In a report that echoes warnings already issued by FAO, the **Asian Development Bank** said that rising food prices could plunge another 64 million people into poverty across developing Asia, an increase of 7.2 percent. The forecast, contained in the banks' Asian Development Outlook 2011 was predicated on food prices rising by an average of 10 percent this year.

The risk is particularly high for developing Asia, the report said, because food accounts for at least 30 percent of the consumer price index in several countries, including **China, Indonesia, India, Pakistan, Sri Lanka, Bangladesh** and **Viet Nam**. Food price inflation has already hit double digits in all of them in recent months, the bank said.

Food price inflation needs to be a priority for policy makers because of its impact on the poor, the ADB said.. "Heightened inflation can thus dilute the region's hard-won gains in poverty reduction," the report said, adding that global food prices are set to remain high in 2011. Grain stocks have been falling because production has been unable to meet demand, the bank said. An extremely low global inventory of wheat, coupled with drought in China's wheat-growing region, means prices for the grain will remain high.

Cereals stock-to-use ratio at three-year low

World cereal stocks for 2011 are forecast to shrink by 9 percent, plunging the stocks-to-use ratio to a three-year low, according to the FAO's **Initiative on Soaring Food Prices Policy Committee**. Coarse grain inventories, especially maize, will suffer most, and the stock-to-use ratio of major exporters may drop to a 30-year low of only 8 percent, the committee said in its April report.

Revised figures showed that cereal production in Asia and the Pacific during 2010 increased by 2.7 percent over the previous year. Rice is also expected to buck the trend of other cereals, as the stock-to-use ratio is forecast to rise from 29.1 percent in 2010 to 29.7 percent this year. According to the FAO Rice Market Monitor, world stocks are predicted to reach 139 million tonnes in 2011, the highest since 2002, with increases concentrated in **China** and **India**. Among exporters, the ISFP committee said **Thailand** should be increasing shipments along with **Cambodia, China** and **Myanmar**. This should compensate for reduced shipments from **Viet Nam** and **Pakistan**. The committee noted that rice prices had shown signs of softening because of ample production.

Lao province wants rice stockpiles to keep prices stable

Battered by pests that put a large dent in last year's rice crop, Champassak province in southern **Laos** has asked the central government for funds to set up a rice stockpile in order to keep prices stable. The goals include ensuring good prices for farmers and increasing food security in the country. Food security is an issue in Laos, as harvest shortfalls and rising prices are impacting rural people. The FAO and

WFP have said more than 110 000 people are in need of immediate food aid, and two-thirds or rural people are food insecure.

Champassak is a major rice-producing province and some of its bounty is sold to neighbouring provinces. Last year, drought, floods and pest infestations took a heavy toll on the crop, reducing the harvest to just 150 000 tonnes from 400 000 tonnes the previous year. Provincial officials told the Vientiane Times they expected prices to peak during 2011 to 2013. If farmers could store the grain, they could benefit as prices rise. The Champassak authorities want funds from the central government to buy the rice from farmers and store it for them. The project should encourage farmers to produce more because they will be better protected from price fluctuations. The authorities also cautioned farmers against selling rice to traders in neighbouring countries.

Commodity prices fail to fall in Myanmar

Higher loads for trucks have not translated into lower prices for commodities in **Myanmar**. In January, the government had ordered loads reduced on 10- and 12-wheel trucks to 21 and 25 tonnes respectively from 25 and 30 tonnes. This was meant to bring regulations in line with ASEAN highway standards. The recent lifting of the reduced load limit should have helped bring prices down by reducing the cost of transport. Trucking companies in Myanmar said costs and prices had come down, but commodities traders were not passing along the savings to consumers. Traders countered that not all firms were reducing the charges.

Beans and pulse traders, meanwhile, are hoping that poor weather in some producing countries, notably **Australia** and **Canada**, will push prices higher for Myanmar's beans and pulses, while acknowledging the increases would not be good for local consumers. Myanmar's domestic harvest of beans and pulses is also expected to fall by between 20 percent and 30 percent this year, according to the Myanmar Beans, Pulses and Sesame Merchants Association. Myanmar exported 1.3 million tonnes of beans and pulses during the 2009-2010 financial year bringing in US$980 million. So far, those figures look set to drop during the 2010-2011 financial year.

Cambodia challenged to increase rice exports

A fact-finding mission to **Cambodia** last month by officials from the National Food Authority of The **Philippines** may open the door to increased exports of Cambodian rice, the Phnom Penh Post has reported. The Philippines, which is facing a rice shortfall, is also concerned that rival buying countries such as **China** and **Malaysia** are locking up a greater share of rice exports from traditional suppliers **Thailand** and **Viet Nam**, and so may need to find new sources.

While an agreement with The Philippines could be a boon to Cambodia's rice industry and help to establish Cambodian rice as a viable brand, the industry faces difficult challenges to supply the grain in sufficient quantities for export. High costs for electricity, infrastructure, logistics and other aspects of doing business all serve to make rice from Cambodia more expensive than that of its neighbours and competitors. Prime Minister Hun Sen has set a goal of one million tonnes of rice exports a year by 2015. A strategic relationship on rice with The Philippines would be a significant step towards achieving that goal.

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