



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

AUGUST 2011

Table of contents

- Asia forecast to drive new world paddy production record 1
- Domestic price roundup 2
- Cereals harvest up 2 percent in East Asia, down in Southwest Asia 4
- China working to stabilise pork prices in battle against inflation 4
- Thai pork prices expected to fall 4
- Cambodia quadruples rice exports 5
- Sugar production soaring in Viet Nam 5
- Myanmar legalizes some food imports, reduces export taxes 5
- India and Cambodia struggle with inflation, India lifts export ban 5
- Farmland destroyed in Laos by Tropical Storm Haima 5
- Flooding strikes North Korea 5

List of figures

- 1: Selected international cereal prices 1
- 2: Trends in domestic prices for key commodities in selected countries 2



Asia forecast to drive new world paddy production record

FAO is forecasting that rice paddy production will grow by 2.5 percent in Asia during 2011, and will be the driving force behind a new record high in annual global paddy production. Increased production in Asia will account for virtually all of the anticipated global increase of 2.5 percent for a total of 718.3 million tonnes, exceeding by 18 million tonnes the world record set in 2010. This latest forecast takes into account a downward revision of 1.5 million tonnes made by FAO analysts in the Organization's July Rice Market Monitor. The revision reflects less favourable outlooks than originally expected for **China, Colombia, Nigeria** and the **United States**.

More rice should be harvested because more is being planted, and yields are expected to slightly increase. FAO is predicting a total of 164.7 million hectares of paddy will be planted globally, an expansion of 1.5 percent, and the Organization believes that average yields will improve by 0.9 percent to 4.37 tonnes per hectare.

Asia is expected to harvest 649.8 million tonnes of rice. After milling, the total will amount to 433.3 million tonnes. **India** is forecast to post the largest gains with a 5 percent rise in paddy production to 150 million tonnes. The area planted in India has increased by 7 percent over 2010 with 7.4 million hectares under cultivation. An 8 percent rise in government support prices to farmers helped stimulate plantings. The support is intended to compensate for rising fuel and labour costs.

Authorities in **Indonesia** have raised their production forecasts by 750 000 tonnes, to 68.06 million tonnes, a 2.4 percent increase over 2010. The country is hoping to achieve annual production of at least 75.7 million tonnes by 2015, which would make it self-sufficient in rice. **The Philippines** is also aiming to be self-sufficient in rice by 2013. FAO says production prospects are also broadly positive in **Bangladesh, Cambodia, China, Iraq, Democratic Republic of Korea, Thailand** and **Viet Nam**.

Although poor weather and natural disasters have taken a toll on **Taiwan Province of China, Laos PDR, South Korea,**

Figure 1: Selected international cereal prices



Myanmar and **Pakistan**, all are expected to recover as far as rice production is concerned. Production may fall in **Sri Lanka** because of heavy rains and recurring floods, and in **Japan** because of the earthquake and tsunami and the resulting damage to infrastructure as well as loss of lives and population displacement. Production in Japan in areas unaffected by the disasters should help compensate for losses. Nonetheless, overall production is forecast to fall by 3 percent to 10.3 million tonnes.

Despite the positive outlook for rice production, international rice prices have begun rising again after falling during the early part of the year. The price of **Thailand's** benchmark White 100% B Second grade rice rose USD 30 a tonne to USD 548 in July. Meanwhile, flooding may have destroyed rice from as many as 96 000 hectares as 176 000 hectares of rice plantations were left submerged in the

aftermath of Tropical Storm Nock Ten which struck 21 Thai provinces in early August. Officials from the Ministry of Agriculture said the losses could push rice prices up further.

FAO raised its forecast for world rice trade for 2011 to 33.2 million tonnes of milled rice, an increase of 1.4 million tonnes or 6 percent over 2010. That would also set a new record, eclipsing the one set in 2007. The rise in trade is attributed to greater imports by **Bangladesh, China, Indonesia, Iran** and **Nigeria**. Import growth is based on many Asian countries attempting to rebuild stocks and stabilize domestic prices. Global rice stocks are also forecast to rise to 145 million tonnes, an increase of 7.7 million tonnes and the highest level since 2001.

Domestic price roundup

Prices for key cereals increased substantially in **Afghanistan** and

Pakistan during July. Afghanistan saw rises in the prices of wheat by 2.1 percent, wheat flour by 4.3 percent and rice by 7.7 percent as drought affected the northern and western parts of the country. In Pakistan, poor weather and import demands from Afghanistan also pushed up the price of wheat and wheat flour by 6.7 and 9.76 percent respectively. Flooding in **Bangladesh** contributed to a 2.5 percent increase in the price of rice. Rice prices also continued to rise in **Thailand** in July following the election of a new government that has promised to change a key support programme for farmers. After falling in June, rice prices hit a new high in **Viet Nam** in July, following the trend of export prices. The price of rice was up 60 percent in Viet Nam compared with July last year. Ample harvests in **Sri Lanka**, however, helped bring the price of rice down by 1.8 percent.

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

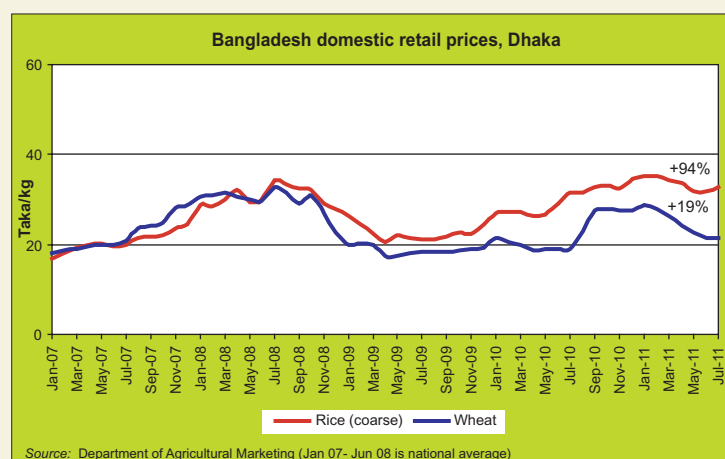
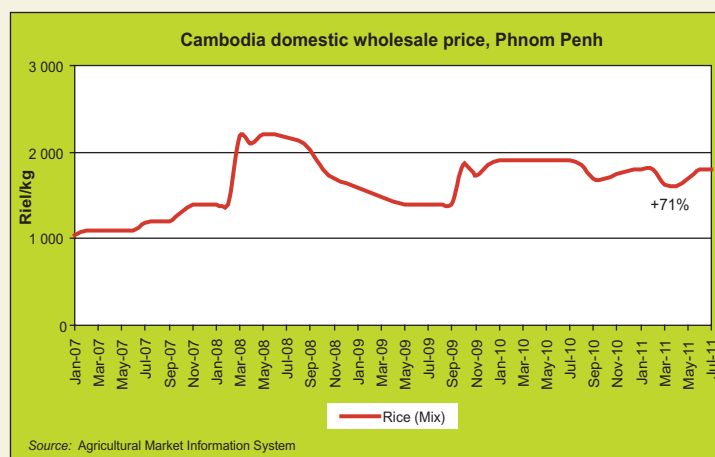
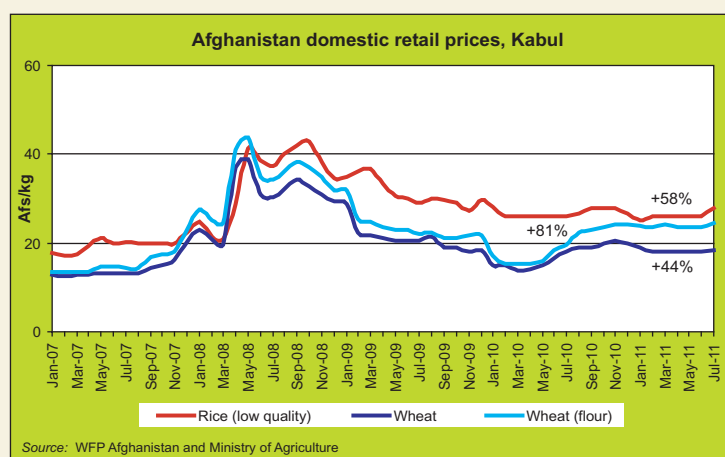
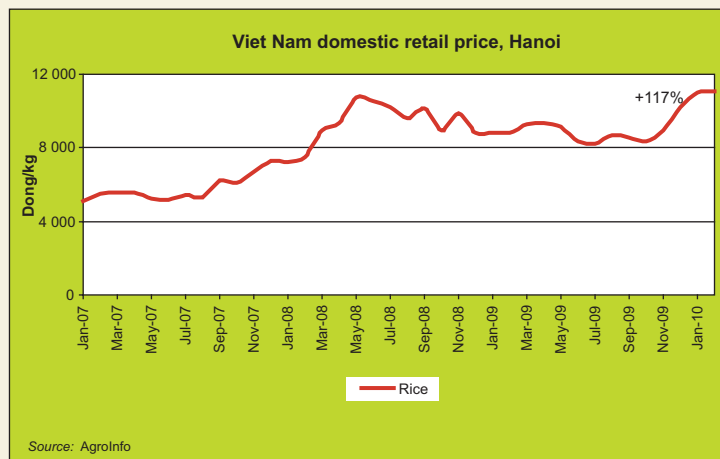
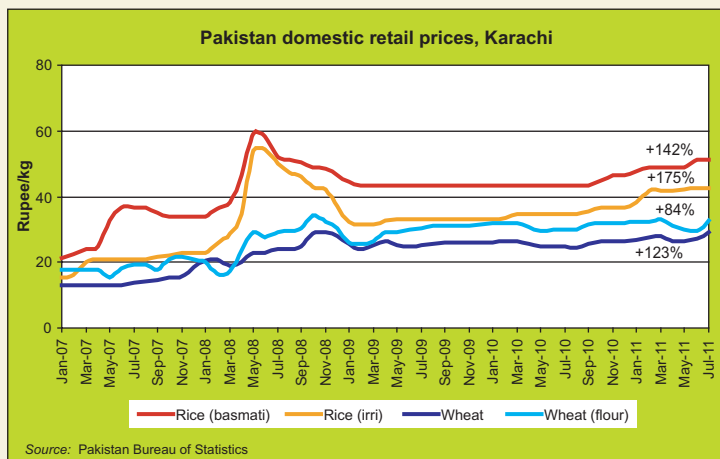
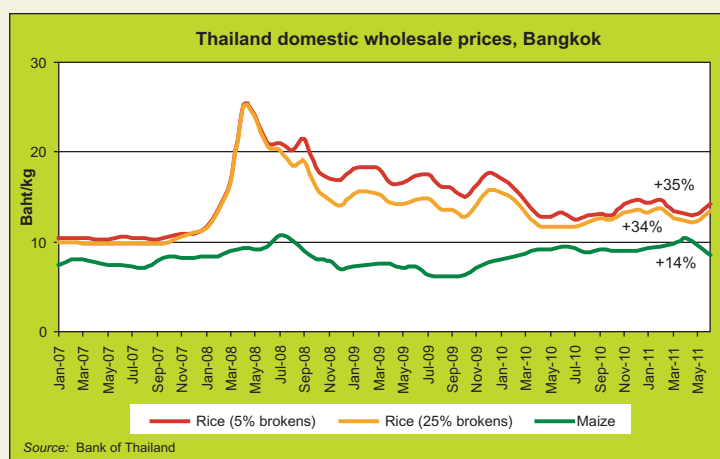
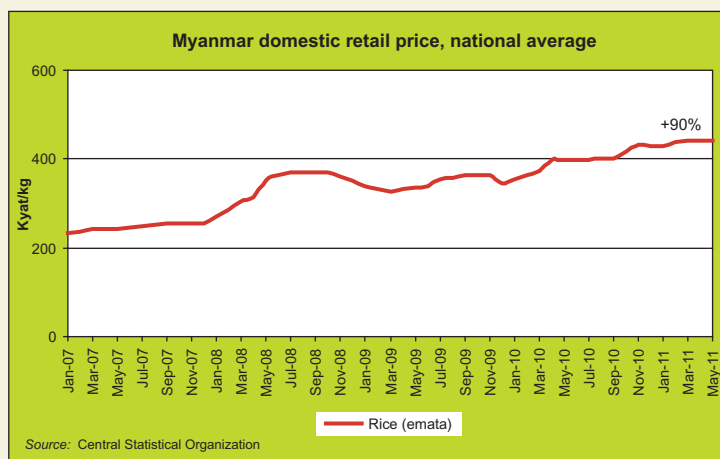
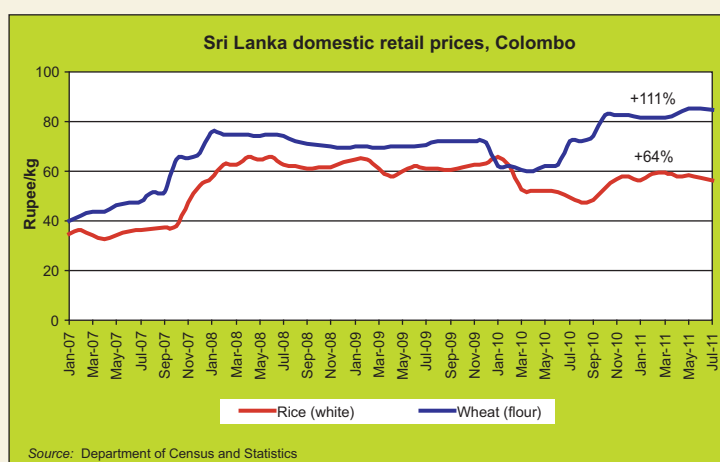
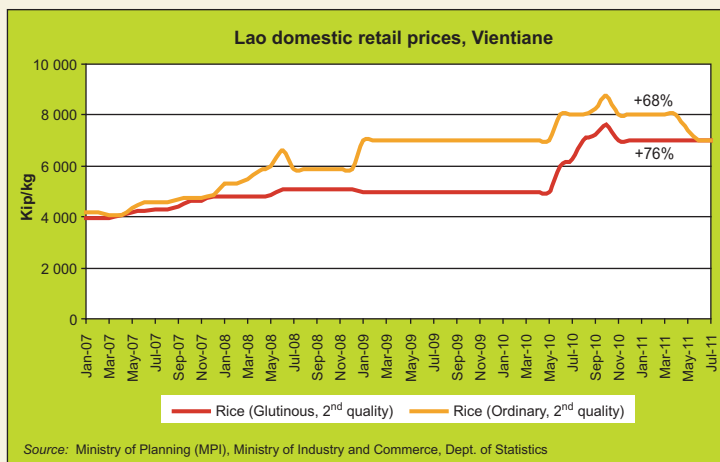
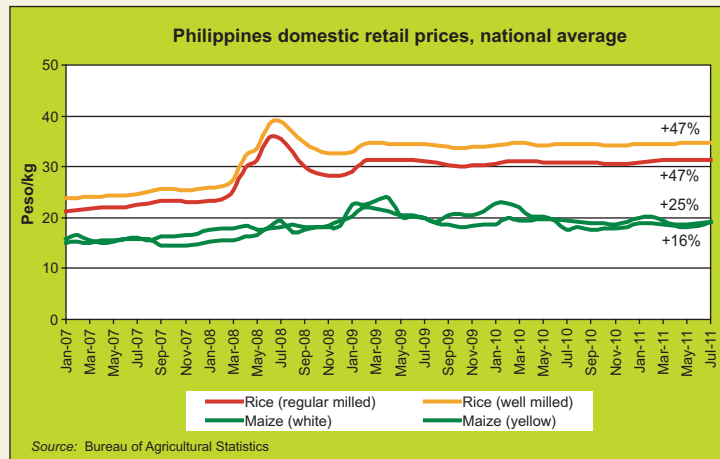
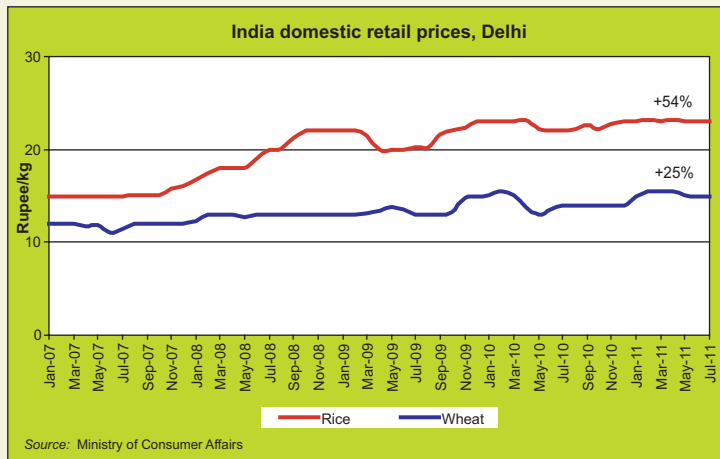


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



Cereals harvest up 2 percent in East Asia, down in Southwest Asia

The aggregate cereals harvest across East Asia will increase by 2 percent in 2011, according to a forecast contained in the June issue of FAO's Crop Prospects and Food Situation (Table 1). Total harvests are expected to reach 1 143 million tonnes, as wheat, paddy and coarse grains harvests are all predicted to increase. FAO cautions, however, that much of the paddy and coarse grains are in the process of being planted, and so the situation could change with poor weather or other factors.

Some of the countries expected to perform particularly well are **Pakistan** and **The Philippines** where harvests should increase by 6.0 and 6.2 percent respectively, mainly on the strength of better paddy and coarse grain production. **India** may see its harvest rise by 5.2 percent as wheat, coarse grains and paddy output are all expected to rise. **Cambodia** could see a 4.4 percent increase in total cereals on the back of better paddy production. **Japan** is the only country where cereals output is forecast to fall, by 3.4 percent, because of the destruction and other problems caused by the earthquake and tsunami.

In Southwest Asia, poor weather in **Afghanistan** is expected to take a heavy toll on that country's wheat crop, with a drop of half a million tonnes to 4 million from 4.5 million in 2010 for a total 8.5 percent reduction in total cereals output. Increases in coarse grains in **Iran**, meanwhile, may push that country's total cereals output up by 1.4 percent. Aggregate cereals output in the Near East region are forecast to fall by 1.1 percent for the year.

China working to stabilise pork prices in battle against inflation

China's government is planning to invest USD 384 million in large-scale pig farms this year in an effort to stabilise pork prices. China's State Council, or cabinet, said the price of pork had increased 57.1 percent year-on-year for the month of June and was sparking price hikes for other goods. The increases were adversely affecting consumers, according to Xinhua news agency. Premier Wen Jiabao said "stabilising prices remains the top priority for our macro-regulatory policies," reported Xinhua.

The investment is intended to increase supplies of live pigs and drive down pork prices. Pork prices have a

significant affect upon food inflation, which is running at 14.4 percent over the same period last year, and which in turn affects overall inflation. Xinhua reported that overall inflation hit 6.4 percent in June, the highest monthly level since June 2008, and is threatening to undermine the Government's goal of holding inflation at 4 percent for the year.

The Government, nonetheless, allowed cooking oil producers to raise prices by about 5 percent for the first time since October 2010 in order to cover rising raw materials costs, according to an edible oil supplier.

Thai pork prices expected to fall

Pork prices in Thailand are expected to fall in coming months as supplies recover from a disease outbreak that is being brought under control, according to the country's association of pig breeders. Various local media have reported that pork supplies will decline by 20 to 30 percent this year because of an outbreak of porcine reproductive and respiratory syndrome (PRRSV) that has killed many pigs. Before the outbreak, Thailand had been forecast to produce 12 million swine this year.

Table 1: Cereals harvest in select Asian countries

	Wheat			Coarse grains			Rice (paddy)			Total cereals			Change 2011/10 (5)
	2009	2009 est	2011 f'cast	2009	2009 est	2011 f'cast	2009	2009 est	2011 f'cast	2009	2009 est	2011 f'cast	
East and South Asia	223.4	223.2	226.8	253.8	273.6	276.4	611.2	624	640	1 088.4	1 120.7	1 143.3	2.0
Bangladesh	0.8	0.9	1	1	1.1	1.2	48	50.3	51	49.8	52.2	53.2	1.9
Cambodia	–	–	–	0.9	0.8	0.9	7.6	8.2	8.5	8.5	9	9.4	4.4
China	115.1	115.1	114.5	173.2	186.7	187.4	196.7	197.3	199.1	485	499.1	501.1	0.4
India	80.7	80.8	84.3	33.9	40.1	41.4	133.6	141.2	150	248.2	262	275.6	5.2
Indonesia	–	–	–	17.6	18.4	17.9	64.4	66.4	67.3	82	84.8	85.2	0.5
Japan	0.7	0.8	0.8	0.2	0.2	0.2	10.6	10.6	10.3	11.5	11.7	11.3	-3.4
R. Korea	–	–	–	0.4	0.4	0.3	6.6	5.8	6	7	6.2	6.3	1.6
Korea DPR	0.1	0.1	0.2	1.8	1.8	1.8	2.3	2.4	2.5	4.3	4.3	4.4	2.3
Myanmar	0.2	0.2	0.2	1.3	1.3	1.3	31	30.8	31	32.5	32.2	32.4	0.6
Nepal	1.3	1.6	1.6	2.2	2.4	2.4	4	4.5	4.5	7.5	8.4	8.5	1.2
Pakistan	24	23.3	24	3.8	4	3.8	10.3	8.3	10	38.1	35.6	37.8	6.2
Philippines	–	–	–	7	6.4	7.3	15.5	16.8	17.3	22.5	23.2	24.6	6
Thailand	–	–	–	4.8	4.1	4.4	32.1	31.6	32.3	36.9	35.7	36.7	2.8
Viet Nam	–	–	–	4.4	4.7	4.8	38.9	39.9	40.7	43.3	44.6	45.5	2
Southwest Asia	45.1	44.8	44.4	19.1	21.1	20.6	3.8	4.2	4.2	68	70.1	69.3	-1.1
Afghanistan	5.1	4.5	4	0.8	0.8	0.8	0.6	0.6	0.6	6.5	5.9	5.4	-8.5
Iran	13	13.5	13.5	3.5	4.7	5	2.3	2.5	2.5	18.8	20.7	21	1.4

Source: FAO Crop Prospects and Food Situation, June 2011

Cambodia quadruples rice exports

Cambodia's Ministry of Commerce said that the country's rice exports increased four-fold during the first six months of 2011 compared to the same period last year, according to the Phnom Penh Post newspaper. The huge increase was driven by higher yields, rising international prices and growing brand awareness on the part of importing countries, a ministry spokesman said. Cambodia exported 80 446 tonnes of rice bringing in USD 45.68 million during the first half of 2011, compared with just 17 144 worth USD 13.43 million in the first of 2010. One Cambodian rice-exporting firm said that exports were helped by government tax incentives and the fact that the quality of Cambodian rice was becoming more standardized.

Sugar production soaring in Viet Nam

Strong growth in the domestic food processing and soft drink industries has sent sugar production soaring in Viet Nam, according to its state-run news service. Processed sugar production reached 1.15 million tonnes during the current sugarcane-growing season, an increase of 29 percent over the last season, said the Department of Agriculture, which added that both the area under sugar cane cultivation and

yields have increased. As a result, the country has decreased its sugar imports this year by almost one third. Imports totalled 93 000 tonnes through the first half of 2011.

Myanmar legalizes some food imports, reduces export taxes

Myanmar's Government has legalized the import of 15 foodstuffs including alcoholic drinks, beer, juices, biscuits, cake, seasoning powder, waffles, chewing gum, tinned foods, chocolate, instant noodles and coffee mix, according to the Myanmar Times newspaper. The products had been banned since 1995 to protect local producers, but in fact were widely available on supermarket shelves. The Government also reduced export taxes from 10 percent to 7 percent. Exporters told the paper the move was a step in the right direction, but that they were still high enough to make competing with regional exporters difficult. The export taxes and the strengthening of Myanmar's currency in relation to the US dollar has had a strong impact on the country's fisheries industries with some exporters halting business and some storage facilities shutting down, an official from the Union of Myanmar Federation of Chambers of Commerce and Industry told the paper.

India and Cambodia struggle with inflation, India lifts export ban

India's central bank has revised its inflation forecast for the year to 7 percent from 6 percent, a government website reported in late July. Food inflation was running at a three-week high of 8.04 at the end of July, and is an important factor in rising prices. Nonetheless, harvests of wheat and rice were productive enough that the government lifted its export ban on wheat and non-basmati rice in July. In a further move to try and tame inflation, the central bank also announced a 50 basis point increase in interest rates, the third such increase in three months. Cambodia's central bank is also debating whether to raise interest rates to battle an annual inflation rate expected to be between 8 and 9 percent this year, according to the Phnom Penh Post newspaper.

Farmland destroyed in Laos by Tropical Storm Haima

Tropical storm Haima, which swept through Viet Nam and Laos in late June, inflicted 700 billion kip, or about USD 87 million, in damage on Laos, the Vientiane Times reported citing government officials as its source. The storm killed 17 people and caused landslides and flooding. In addition, about 6 000 hectares of farmland were destroyed. Government officials said they were supplying rice and other necessities to affected villagers, but that many thousands of families were still in need, and international assistance would be necessary to rebuild damaged areas.

Flooding strikes North Korea

Severe rains and floods struck the Democratic People's Republic of Korea in the latter part of July damaging crops in the cereal bowl of the country, according to the Global Information and Early Warning System on Food and Agriculture. Initial reports said 59 340 hectares of cropland were affected. They account for about 5 percent of the area under cereal cultivation. Impact assessments on the country's food supply have not yet been conducted.

Economic, Social and Policy Assistance Group (ESP)

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

Disclaimer

This update is prepared with information from official and unofficial sources. None of the information in this update should be regarded as statements of governmental views.

The designations employed and the presentation of material in this report do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.