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FAO forecasts good rice harvests in Asia-Pacific in 2012

FAO is forecasting favourable rice harvests in **Indonesia**, the **Philippines**, **Sri Lanka** and **Viet Nam**, according to the latest edition of the organizations' *Crop Prospects and Food Situation Report*. However, the report said that harvests are uncertain in **Bangladesh** and **Myanmar** because of uneven rainfall. Total rice exports from the region are forecast to fall in 2012, largely because of lower production by **Thailand**, while at the same time rice imports in the region are predicted to rise by 8.5 percent on demand from **Indonesia** and the **Philippines**.

Wheat imports are expected to decline by 4.2 percent, or 1.4 million tonnes, on strong production in **Bangladesh** and **China**.

FAO is forecasting strong wheat harvests in **India** and **Pakistan** during 2012, and expects that **China's** wheat harvest, which suffered from drought last year, will return to normal this year.

Global food prices rise again in February

Global food prices rose during February, the second consecutive month of increases following six straight months of declines, with the FAO Food Price Index climbing by 1 percent compared to January. Gains in cereals, sugar and oils propelled the index higher, although it was still about 10 percent lower than its peak value in February 2011.

Prices for cereals and oils both rose by roughly 2 percent. Wheat traded higher during February on concerns over bad weather affecting crops in **Europe** and the **Commonwealth of Independent States**, while increasing maize prices were driven by strong demand in **Asia**.

Rice prices continued to slide downward as many countries, particularly in Asia, have rebuilt their stocks and so are importing less.

Palm oil production was poor in February, and soy oil production has been forecast to sink to a multiyear low, factors that contributed to prices rising higher.

Figure 1: Selected international cereal prices



Sugar registered the largest price increases as bad weather in **Brazil**, the world's largest producer of sugar, pushed sugar prices up by 2.4 percent. But sugar was still 18 percent less expensive than one year ago in February 2011.

Dairy product prices slid slightly on cheaper powdered milk, while most other dairy products held steady. Dairy prices were 11 percent lower than in February 2011. Meat prices were virtually unchanged. Pork increased in value by 3.4 percent, but that was cancelled out by falling prices of poultry and bovine meats.

Domestic prices mixed around the region

Domestic prices for basic commodities were largely stable, but also showed mixed results around the region during February. In **Afghanistan** wheat fell by 5.4 percent, but in **Bangladesh** wheat flour rose by 15.3 percent, and in

Myanmar wheat prices increased by 8.3 percent, hitting a record level for the past year. The price of rice rose by 4.7 percent in **Afghanistan**, 2.4 percent in **Indonesia**, 3.9 percent in **Myanmar**, and basmati rice rose by 5.0 percent in **Pakistan** during the past month, and by 26 percent during the past year. Meanwhile, prices for mixed rice in **Cambodia** fell by 16.7 percent, white rice slid by 2.1 percent in **China**, 5.8 percent in **Sri Lanka** and 5.9 percent in **Viet Nam**.

Chicken prices rose by 6.3 percent in **Afghanistan**, and were 60 percent higher than one year ago. Chicken prices also rose by 18.1 percent in **Bangladesh**, but fell by 12.1 percent in **Thailand** and by 7.6 percent in **Indonesia**. Pork prices fell by 9.8 percent in **Thailand**, 5.9 percent in **Lao PDR** and by 8.4 percent in **Viet Nam**. Beef prices shot up by 18.4 percent in **Lao PDR** in the past month, and chicken prices were 27 percent higher than one year ago.

Thai rice exports plummeting in early 2012

Thailand's rice exports plunged by 41 percent year-on-year during the first seven weeks of 2012 as buyers chose to source the grain from competitors offering better prices, according to the Thai Rice Exporters Association.

Thailand has been the world's leading rice exporter since the 1960s, but competition has intensified in recent years from Viet Nam. Although both countries sustained damage to their harvests because of severe flooding in late 2011, the Thai Rice Exporters Association attributed the drop in Thailand's rice exports to high prices.

Association President Korbsuk Iamsuree said Thailand's benchmark B grade white rice was selling for USD 525 per tonne on international markets, far above the USD 415 per tonne for a comparable grade of rice from Viet Nam, and USD 445 per tonne for rice from India and Pakistan,

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

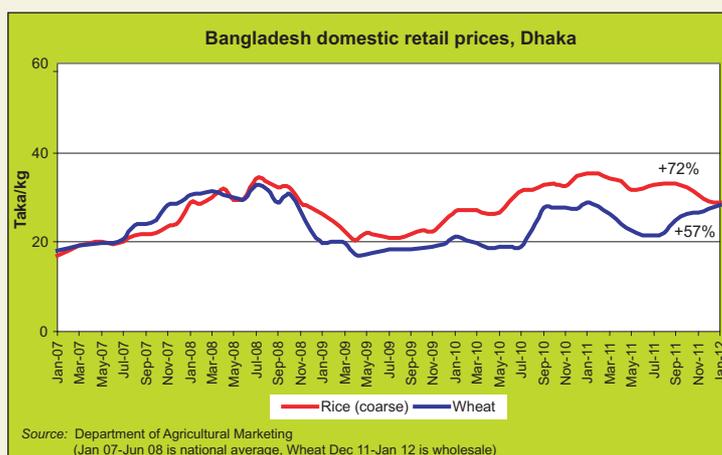
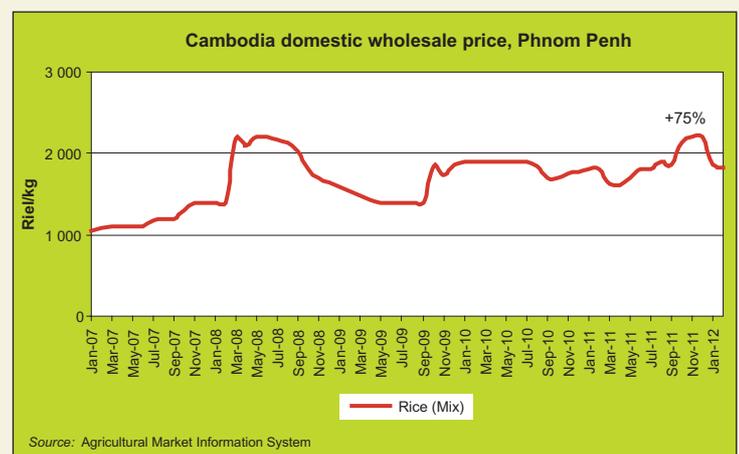
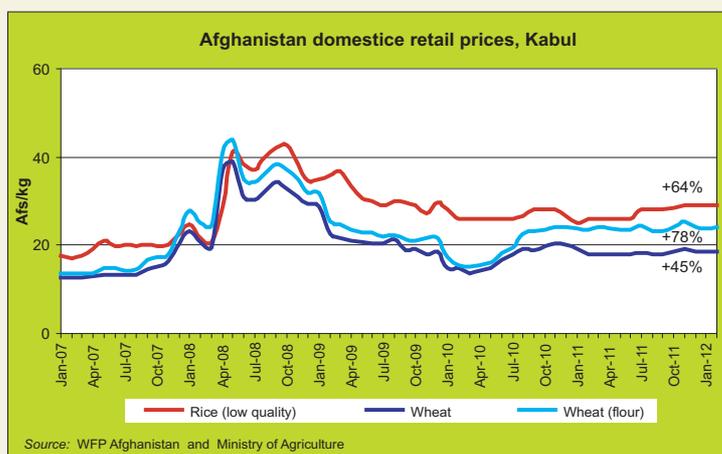
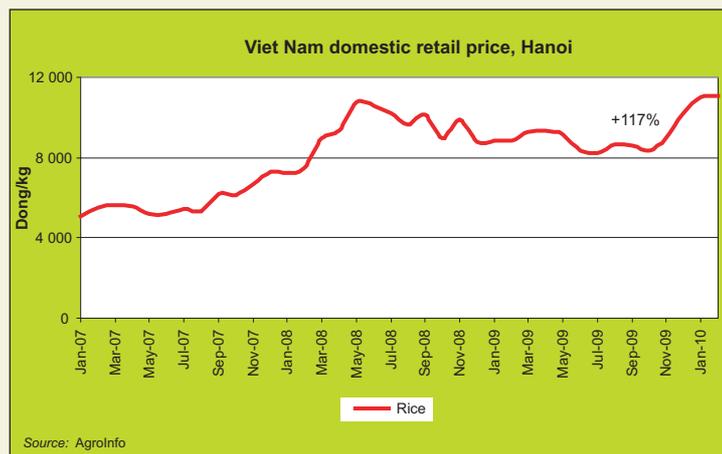
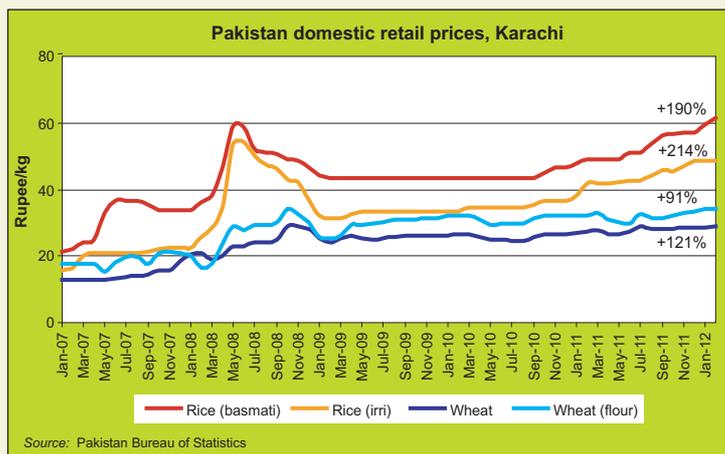
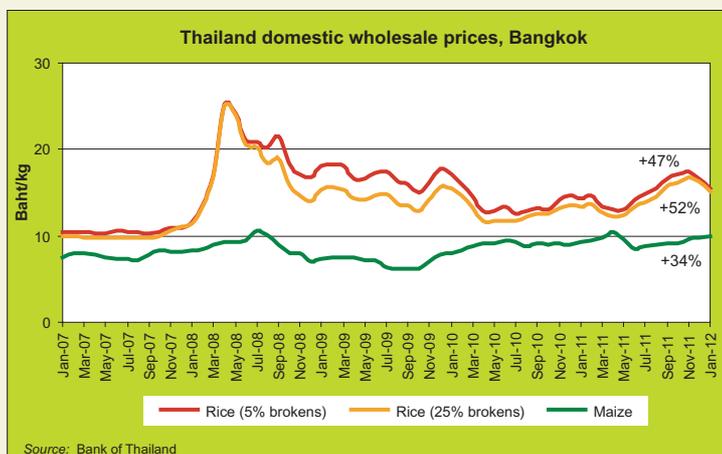
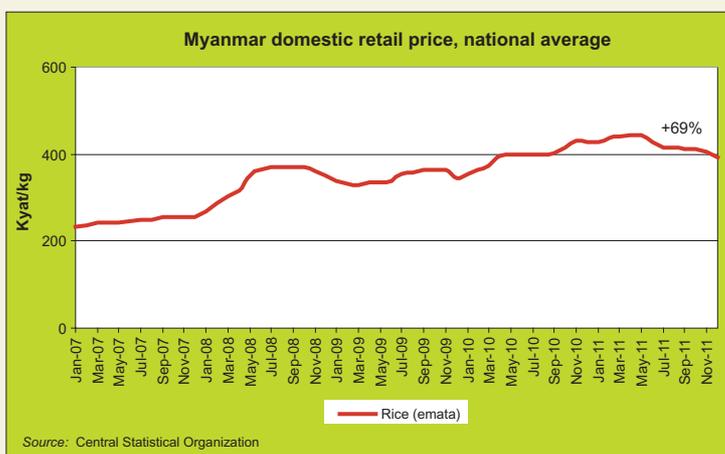
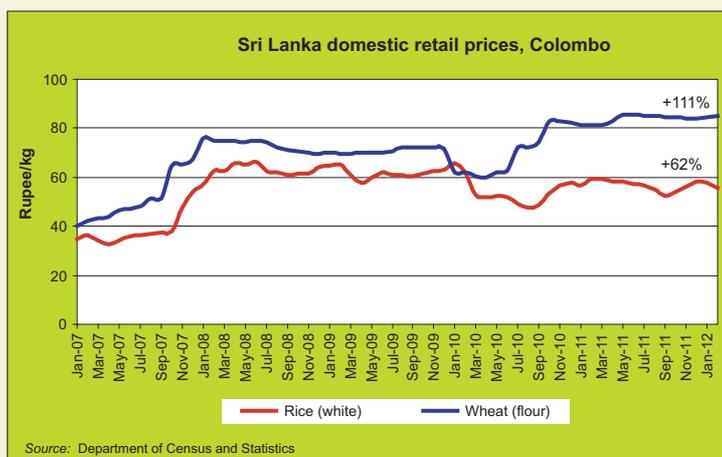
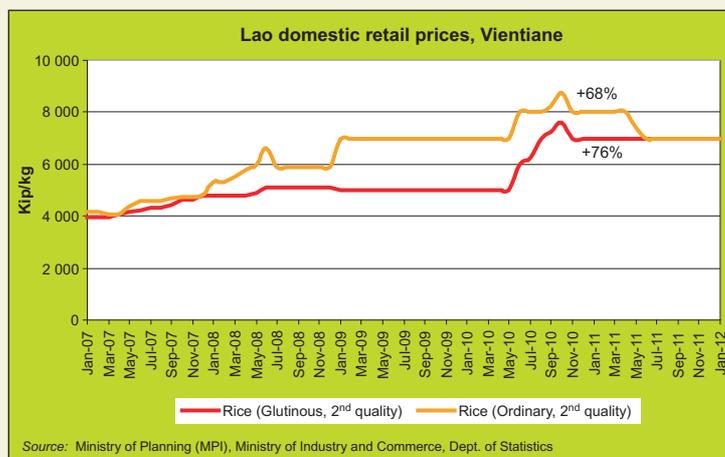
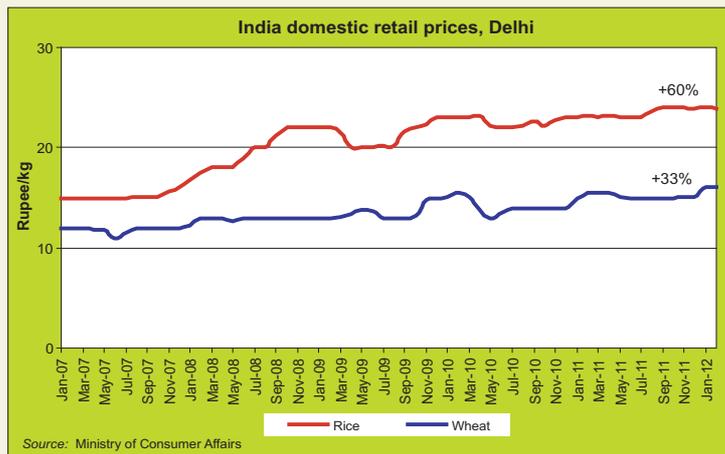


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



according to a report from the Mass Communications Organization of Thailand (MCOT).

Korbsuk said that exports of Thai rice in all categories fell during the first seven weeks of the year, as many buyers shifted to cheaper parboiled rice from Viet Nam, India and Pakistan. Thai rice exports from January through 23 February totalled 465 000 tonnes, compared to 788 135 tonnes during the same period the previous year.

The high prices for Thailand's rice are the result of a government support programme for rice farmers that guarantees them roughly USD 491 per tonne for their paddy. The programme is intended to address disparities between urban and rural incomes, which are a social concern in Thailand. Policymakers had expressed confidence that other rice exporting countries would follow Thailand's lead in pushing prices higher.

Korbsuk said that Viet Nam's price advantage was helping it grab market share from some of Thailand's traditional customers, and India is also aiming to increase its rice exports this year to 4 million tonnes from 2 million tonnes this year. MCOT reported that Thailand's target for rice exports in 2012 is 6.5 million tonnes. That raises the possibility that Viet Nam, which shipped just over 7 million tonnes of rice in 2011, could overtake Thailand as the world's leading rice exporter tonnes.

Myanmar rice crop falls, land legislation delay urged

Myanmar's rice output in 2011 is estimated to have fallen by about 3 percent to 30 million tonnes of paddy (19 million tonnes milled), according to a February report by FAO's Global Information and Early Warning System. Despite seeing a decline in output during 2011, mainly because of bad weather, Myanmar was expected to produce a small surplus in rice and maize that can be exported. Rice makes up more than 90 percent of Myanmar's total cereals output, which was estimated at 31.7 million tonnes, a slight decrease from 2010. Myanmar

imports wheat, but because of large wheat imports in 2010-11 totalling 253 000 tonnes, carryover stocks are expected to result in a fall in total cereal imports in 2011-12 to 195 000 tonnes.

The country's overall food security situation improved in 2011, according to GIEWS, although flooding during October in the Magway, Mandalay and Sagaing regions created localized food insecurity problems and resulted in 160 deaths and 36 000 people affected. Fighting between government forces and the Kachin Independence Army in northern Myanmar also left some areas in that region with food insecurity problems.

In a separate development, several groups are advocating for the government to engage in more consultations on two landmark pieces of land reform legislation before passage, the Myanmar Times reported. The two bills, which deal with land rights, are an attempt by the government to deal with myriad problems affecting the country's farmers, who make up two-thirds of the population.

But while the bills are acknowledged as a progressive move on the part of the government, many groups including farmers, activists and economists have cautioned that they contain flaws. Former World Bank Economist Joseph Stiglitz, who visited the country in February, told a meeting of the Union of Myanmar Federation of Chambers of Commerce and Industry "if you don't get [the laws] right, you can wind up with more people in poverty, more inequality and a few people at the top becoming much wealthier."

Cambodian government backs rice loans

In a bid to spur domestic rice production and improve food security, Cambodia's government will provide USD 25 million to guarantee loans by commercial banks to rice millers, the Phnom Penh Post reported. Cambodia's rice millers often lack

sufficient cash reserves to buy large quantities of rice or expand milling capacity, and can not borrow from banks to finance purchases and operations because they lack adequate collateral. The result is that many farmers end up exporting their paddy to neighbouring Thailand or Viet Nam instead of having it milled in-country.

Kalyan Mey, an advisor to the Supreme Economic Council, told the paper that the loan guarantees would begin in March. He added that the government is committed to supporting the rice sector, although some millers told the Post that the amount was too small to help all millers who need access to capital. Prime Minister Hun Sen has set a national goal of exporting 1 million tonnes of rice by 2015. The country exported 173 000 tonnes of milled rice in 2011. The Post reported that exports of milled rice were falling in January as India had released more rice onto international markets. Cambodia's millers find it difficult to compete on price, the paper said, because their operations were generally too small and inefficient to take advantage of economies of scale. Nonetheless, with rice from Cambodia selling at a significantly lower price than rice from neighbouring Thailand, some Thai rice exporting companies have been establishing joint ventures with Cambodian producers so they can source and export rice at more competitive prices.

Indonesia will import 2 million tonnes of rice in 2012

Indonesia's Minister of Trade confirmed speculation that the country will purchase as much as 2 million tonnes of rice from foreign markets this year despite earlier hopes that domestic production would negate the need for imports. "The harvest is going well, but we'll still have to import...a maximum of two million tonnes," Indonesian Trade Minister Gita Wirjawan told Reuters news agency. The government has set a goal for the country to become self-sufficient in rice by 2014.

Heavy rains and crop diseases are expected to reduce domestic rice output to 68 million tonnes from an earlier forecast of 72 million tonnes, although the reduced production is still an improvement over the 65.4 million tonnes in 2011. The imports are expected to be concluded in government-to-government agreements, as Indonesia banned rice imports by private traders in 2004 in an effort to stop smuggling that was eating into the margins of domestic producers. In January, Indonesia agreed to buy as much as 200 000 tonnes of rice from Myanmar. According to Reuters, regional rice traders were hoping Indonesia's plan to buy rice would help raise international prices for the grain, which have been falling in recent months.

Philippines eliminates wheat import tariff

As part of its Comprehensive Tariff Reform Programme, the Philippines is eliminating its import tariff on wheat in order to help bring the price of flour down, according to the Manila Bulletin newspaper. Trade and Industry Secretary Gregory L. Domingo told the paper that while he hoped removing the tariff would benefit consumers, if the international price of wheat rose it would cancel out any savings.

The Philippines Association of Flour Millers told the Manila Bulletin, however,

that the impact on prices would be negligible, as many millers are already using wheat imported from Indonesia at zero tariff because of Association of Southeast Asian Nations trade agreements. The Philippines also sources a substantial amount of wheat from Turkey at a 7 percent tariff. Eleven companies in the Philippines produce about 1.5 million tonnes of flour annually.

Pakistan exporting wheat and rice to Iran

Pakistan will export 1 million tonnes of wheat and 200 000 tonnes of rice to Iran in a barter agreement in which it will receive fertiliser and iron ore, according to The Express Tribune newspaper in Pakistan. Despite trade sanctions on Iran imposed by the United States and European Union, government leaders in Pakistan and Iran recently announced they would expand bilateral trade.

Pakistan has a wheat surplus of between two and three million tonnes, but it suffers from a fertiliser shortage, and the barter deal will allow it to import fertiliser without having to dip into its foreign reserves. Pakistan has the capacity to produce 6.9 million tonnes of urea fertiliser, which should be enough for domestic demand. However, a gas shortage has made it more difficult for urea manufacturers to operate a full capacity and production

fell by 2 million tonnes last year, according to the paper.

China signs deal to import maize from Argentina

China has signed an agreement to import an unspecified amount of maize from Argentina, the South American country's Ministry of Agriculture announced in mid-February. China Daily newspaper reported that the move was intended to diversify China's sources of the grain. Until now, China has relied heavily on the United States for its imported maize. The paper said that China is expected to become a significant maize importer in coming years, with imports this year forecast to reach 3 million tonnes.

Until 2010, China was basically self-sufficient in maize production, but then imports shot up to 1.57 million tonnes that year. In 2011, imports increased 11 percent to 1.75 million tonnes. Analyst opinions are divided on whether China will need to import even greater quantities of maize in the next few years. China harvested a record 192 million tonnes of maize in 2011, an 8.2 percent increase over the previous year. However, the migration of China's people to cities is accompanied by changes in diet that include greater consumption of meat, creating more demand for maize for use in animal feed.

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