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

APRIL 2012

Table of contents

Cambodia campaigns for rice cartel 1
Global food prices steady during March 2
Plentiful wheat pushes domestic prices down 2
EU lifts ban on Thai poultry 4
Myanmar aims to increase rice exports by 20 percent 4
Indonesian agency seeking offices in Myanmar, Cambodia 4
Philippines sourcing rice from Viet Nam, Cambodia 4
China allows fuel price rise, but shields food producers 5
India will sell wheat to Iran 5
Thailand hit by drought, signs rice deals 5
Cyclone Daphne damages crops in Fiji 5

List of figures

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

Cambodia campaigns for rice cartel

Cambodia's Prime Minister Hun Sen is campaigning for the establishment of a regional cartel of rice-producing countries, raising the issue while hosting a summit of **Association of Southeast Asian Nations** (ASEAN) leaders in Phnom Penh in early April, and also in bilateral meetings with leaders of countries in the region.

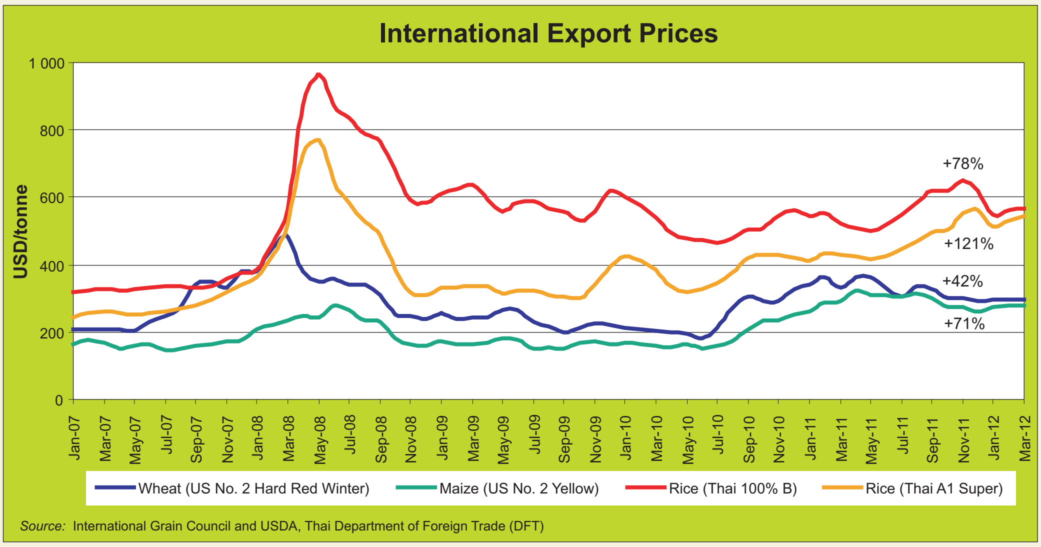
ASEAN first expressed interest in forming a rice cartel with **India** in 2002, but no significant follow-up measures were taken. At the most recent summit, Hun Sen proposed a five-country cartel composed of **Cambodia, Lao PDR, Myanmar, Thailand** and **Viet Nam**. No official responses were issued by other ASEAN countries, and some private sector rice traders expressed doubt that the cartel would be established any time soon because of starkly different conditions in the various countries. Thailand and Viet Nam are the two leading rice exporters in the world, while output from Cambodia, Lao PDR and Myanmar is relatively meagre but improving.

Hun Sen, however, has chosen to champion the idea and proposed that Myanmar join in the effort during discussions with Myanmar's Prime Minister Thein Sein when he visited Phnom Penh in late March, according to Radio Free Asia. Cambodian Minister of Information Khieu Kanharith said Hun Sen requested that Myanmar join the proposed cartel "to help stabilize the trade."

Competition for rice exports within ASEAN is strong. Viet Nam has been making inroads into some markets traditionally dominated by Thailand because of the higher price of Thai rice. A tonne of Viet Nam's 5 percent broken rice was selling for USD 125 less than a tonne of the same quality Thai rice in March at USD 426 and 551 respectively.

Thailand raised its rice prices late last year because of a government support programme intended to increase farmers' incomes and reduce economic disparities. Thai government economic planners said they expected other rice-producing countries to follow suit and raise prices, but that has not happened.

Figure 1: Selected international cereal prices



Exports of rice from Cambodia, Lao PDR and Myanmar have been increasing, but lack of adequate facilities and infrastructure such as enough rice mills, storage and avenues for transport have constrained growth.

Global food prices steady during March

Global food prices were virtually unchanged during March as the FAO Global Food Price Index edged up 1 point to 216 from 215. Prices for key cereals such as rice, wheat and maize were largely steady. Maize prices increased slightly because of low stocks, and rice prices recovered on large purchases by China and Nigeria after sliding for several months.

The strongest increases were registered in the Oils/Fats Price Index which rose by 2.5 percent as supplies were expected to tighten during the year. "Weak growth in world palm oil production, limited global soy oil export availabilities and declining rapeseed production, all contributed to the rise in oils prices,'' FAO said.

A decline in the Dairy Price Index of 2.5 percent offset the rising prices for oils. Prices for all dairy products fell, particularly for butter. Prices have been falling steadily for the past 12 months, and on average are 12 percent lower during the first quarter of 2012 than during the first quarter of 2011.

Plentiful wheat pushes domestic prices down

Plentiful world wheat supplies helped push down prices for the grain in **Myanmar** and **Bangladesh** as domestic food prices around the region were largely stable through the end of March. Wheat prices dropped by a significant 8.2 percent during the past month in Myanmar, although they were still 5.7 percent higher than one year ago. Myanmar is a wheat importer, and a slight strengthening of its currency on positive political and economic developments helped push all cereal prices lower, although prices for oils rose, with palm oil increasing by 13.5 percent over the previous month. Lower export prices for wheat also contributed to a 6 percent drop in the selling price of wheat flour in Bangladesh during the first week of April, although they were 3 percent higher than a year ago. Wheat was 1.7 percent more expensive in **China** in March compared to February, but **Afghanistan, Indonesia** and **Pakistan** all saw minimal or no movement in domestic wheat prices.

Abundant paddy in **Cambodia** led to a steep drop in domestic rice prices over the past month, with various varieties falling between 10 percent and 20 percent. The falling rice prices are part of a seasonal pattern in Cambodia, and prices normally begin climbing again in April. The dry season harvest, and lack of infrastructure to support increasing exports, means

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

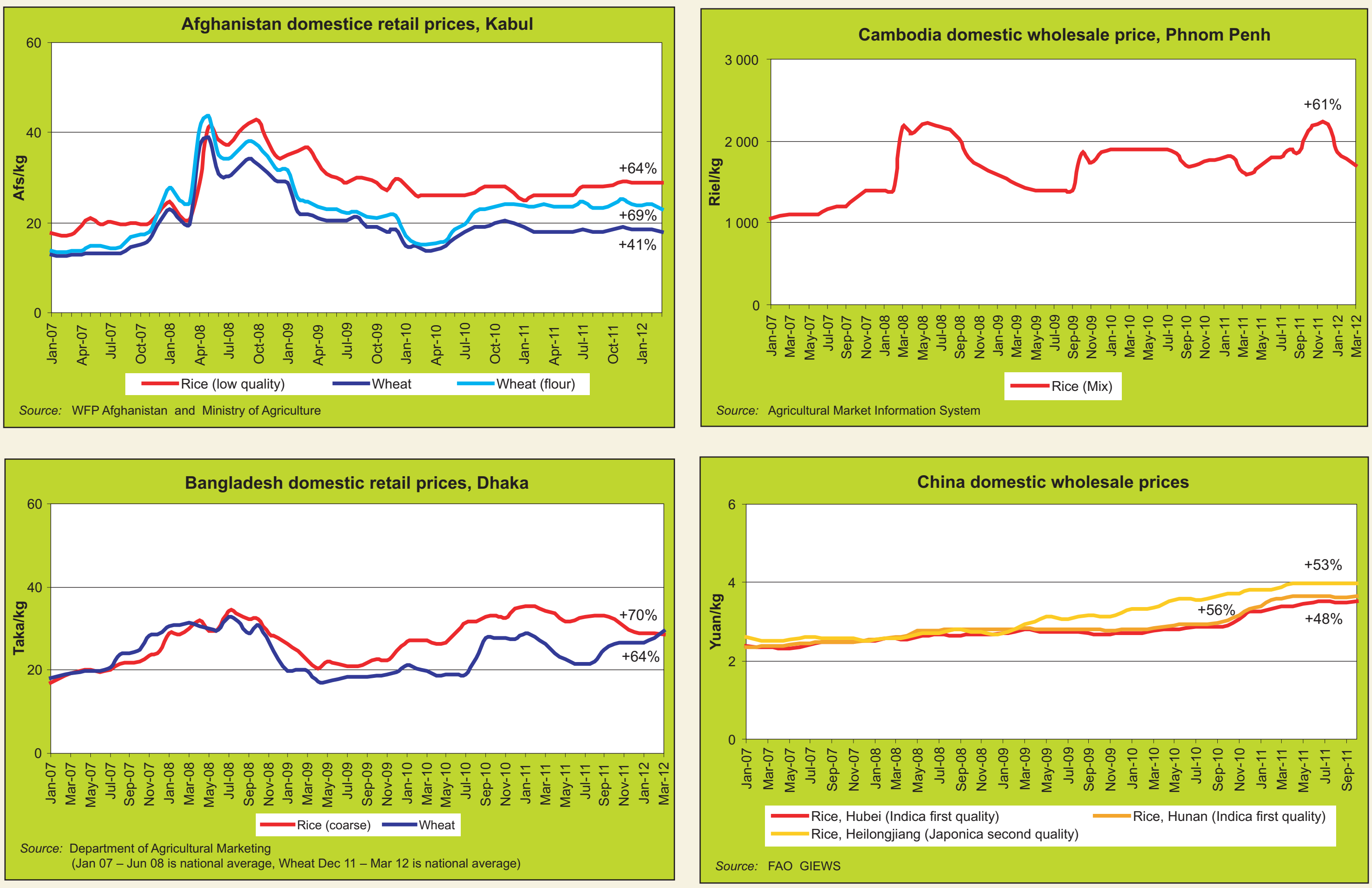
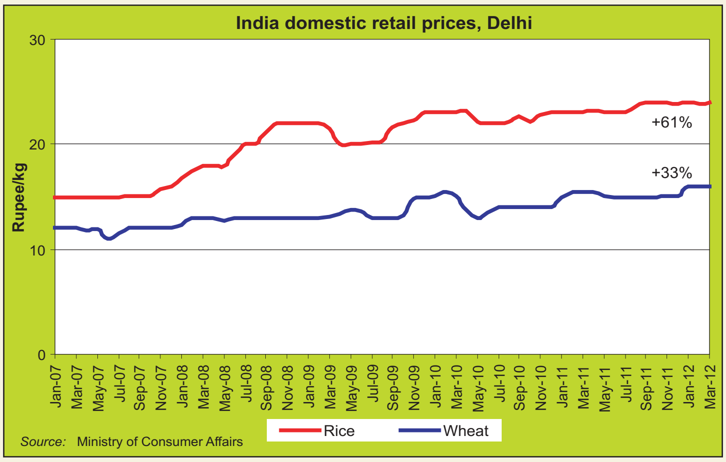
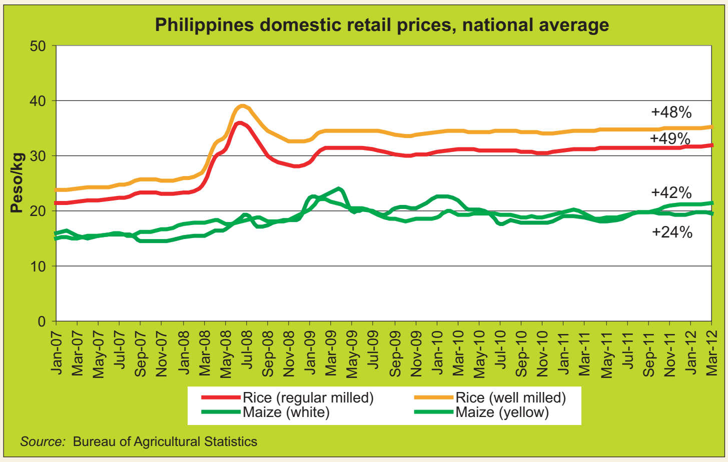


Figure 2: Trends in domestic prices for key commodities in selected countries *(continued)*

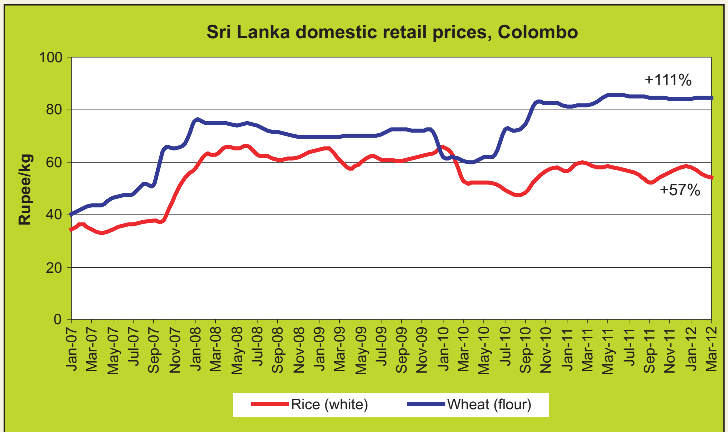


Source: Ministry of Consumer Affairs

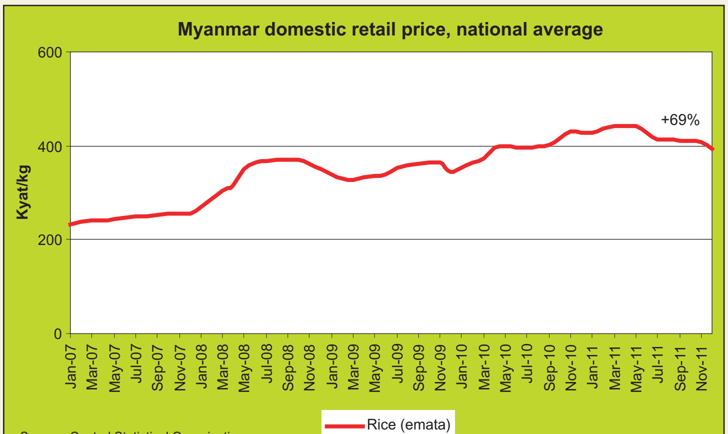


Source: Bureau of Agricultural Statistics

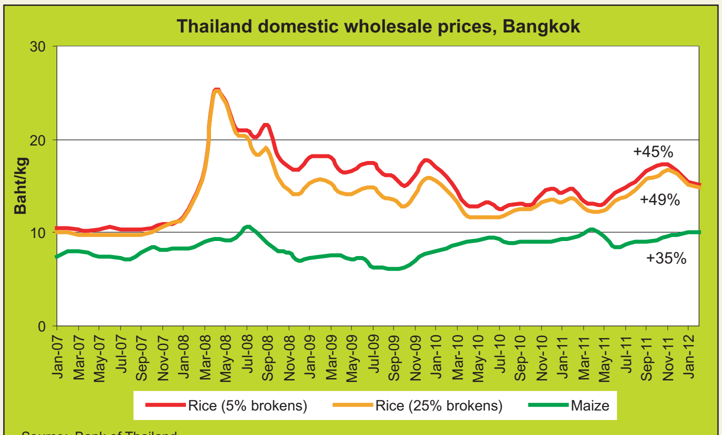
Source: Ministry of Planning (MPI), Ministry of Industry and Commerce, Dept. of Statistics



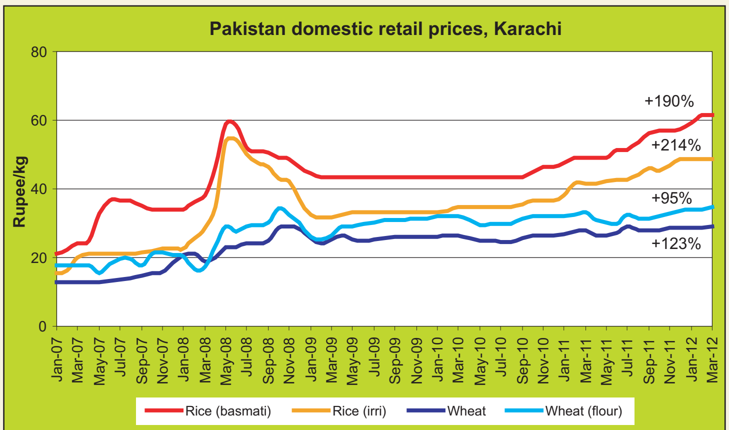
Source: Department of Census and Statistics



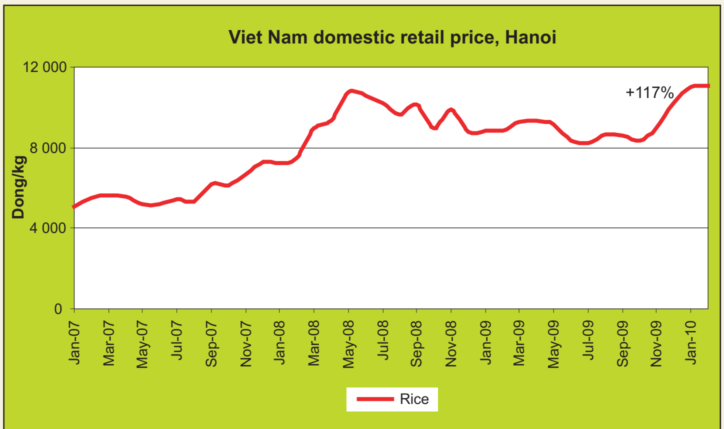
Source: Central Statistical Organization



Source: Bank of Thailand



Source: Pakistan Bureau of Statistics



Source: AgroInfo

more rice was released on to the local market, driving prices down. Otherwise, rice prices were basically unchanged around the region during March, except in **Myanmar** where they fell by 3 percent, and in the **Philippines** where they rose by nearly 2 percent.

In the Pacific island nation of **Fiji**, maize rose by 33.7 percent in mid-March compared to a month earlier, while prices for edible roots that are dietary staples, such as cassava and dalo-tausala taro, slid lower. Price information for Fiji was compiled before the impact of damage from Cyclone Daphne could be completely assessed.

Chicken meat registered the widest variations in price trends around the region during the past month. **Bangladesh** and **Cambodia** saw their prices for chicken increase by 2.9 percent and 4.3 percent respectively. But **Afghanistan, China, India** and **Thailand** all saw substantial falls with prices dropping in Thailand by 10 percent. Prices fell by 6.7 percent in China, 6.1 percent in Afghanistan and 5.4 percent in India.

An executive of Thailand-based Charoen Popkhand Foods, one of the largest producers of chickens, eggs and animal feed in the region, told the Bangkok Post newspaper that last year's floods had reduced domestic consumption of meats, eggs and other staples in Thailand, and so prices had fallen accordingly. Nonetheless, prices for cooked food in local markets had risen in recent months because of the rising price of cooking oil.

EU lifts ban on Thai poultry

Thailand's effective response to Avian Influenza has led to the lifting of a ban on its chicken exports by the European Union, which will take effect on July 1. The EU banned chicken from Thailand in 2004 when the virus first appeared in the Southeast Asian country. According to the World Health Organization, there have been no new cases of bird flu in Thailand since 2007.

Bird flu remains a threat, with cases recorded this year in Bangladesh, Cambodia, China, Egypt, Indonesia and Viet Nam.

Myanmar aims to increase rice exports by 20 percent

Myanmar has set a goal of increasing its rice exports during the 2012-2013 fiscal year by 20 percent to 1 million tonnes, and is seeking technical assistance and investment from other countries to help it achieve its target, according to state-run media reports.

Myanmar earned USD 324 million from the export of 844 200 tonnes of rice in the 2011-2012 fiscal year, according to the Minister of Commerce. It was a sharp rise over the 536 800 exported the previous year. Prior to the Second World War, Myanmar was the world's largest rice exporter, shipping over 3 million tonnes a year.

To facilitate the export sector, the government extended exemptions for export taxes until 14 July on a range of food products including rice, pulses, corn, sesame, rubber, freshwater and saltwater products. With more than half of its people earning a living from agriculture, reviving the sector is a priority for the administration of Prime Minister Thein Sein.

In related news, the Ministry of Agriculture in Bangladesh told local media that Myanmar had requested its assistance in improving the production of its agriculture sector, and in particular rice. Ministry officials said that they accepted the request but that modalities for assistance need to be worked out.

Indonesian agency seeking offices in Myanmar, Cambodia

Indonesia plans to increase agricultural cooperation with Myanmar and Cambodia in order to increase food security in the region, according to the Jakarta Post, which reported that the state logistics agency Bulog is seeking to open offices in both countries. Bulog sources rice and other imports for Indonesia.

"Myanmar and Cambodia are well known as rice producers. With the establishment of Bulog and other state-owned enterprises in those countries, we will be able to conduct trading there while at the same time expanding our international network. Our food security is also concerned with our capabilities to establish food reserves in various countries," Coordinating Economic Minister Hatta Rajasa told the newspaper.

Bulog signed an MoU with the Myanmar Rice Exporters Association in March of this year to buy up to 200 000 tonnes of rice from Myanmar in 2012. Indonesia is seeking to become self-sufficient in rice production, and the minister said opening Bulog offices in the two countries would not affect that ambition. He said that both Myanmar and Cambodia had asked Indonesia for assistance in developing rice mills, processing facilities and other forms of infrastructure development and technical assistance, and that Bulog could be a conduit for such assistance.

Philippines sourcing rice from Viet Nam, Cambodia

The Philippines has signed agreements to source rice from Viet Nam and Cambodia. According to various news reports, Manila has authorized buying 500 000 tonnes of rice from Vinafood 2 in Viet Nam, the only firm authorized by the government to sell to the Philippines and Malaysia, and at least 50 000 tonnes from Mega Green Imex in Cambodia. The Philippines usually sources two-thirds of its rice imports from Viet Nam with the remainder often coming from Thailand. The contract was the first for Mega Green Imex with the Philippines, as most of its rice exports are destined for the European Union.

China allows fuel price rise, but shields food producers

China has allowed domestic fuel prices to rise between 6 and 7 percent in a move designed to help refiners hit by the rising cost of crude oil, but which stoked concerns over rising prices as the country grapples with inflation. The increase is the largest fuel price increase in 33 months.

In hopes of containing rising food prices, the government will continue to provide fuel subsidies to grain producers, fisheries, forestry, urban and rural public transportation, according to a report from Reuters news agency.

India will sell wheat to Iran

The Indian government has begun the process of arranging exports of wheat to Iran, after the sanctions-hit country requested imports from New Delhi of up to 3 million tonnes of the grain, according to the Economic Times, an Indian newspaper.

The two countries recently established a new payment mechanism to facilitate trade between them, after Iran defaulted on rice imports from India, making traders reticent to enter into any agreements with Iran, the paper said. The new mechanism allows using the rupee for 45 percent of oil dues and to pay Indian exporters, and has instilled some confidence in Indian exporters, the paper said.

Iran is seeking to scale up grain imports to counter the effects of sanctions. In addition, the paper said that Iran is also looking at importing sugar, IT products, machinery, metal products, iron, steel, minerals, clothes, fibre, tea, wood and automobiles from India.

Thailand hit by drought, signs rice deals

Just six months after the most devastating floods in half a century, nearly half the provinces in Thailand are suffering from drought. A total of 36 provinces, mostly in the north and northeast, have been hit by drought according to the government's Disaster Prevention and Mitigation Centre. A total figure for the economic damage was not yet available, but various media reports have estimated damage to crops at USD 1.2 million in Nan province alone.

Thailand's Ministry of Commerce, meanwhile, announced that it had signed an MoU with Bangladesh to sell 1 million tonnes of parboiled rice this year and next. The agreement is worth an estimated USD 500 million, but final figures will depend upon market factors including global rice prices and production levels in both countries. Thailand shipped 736 782 tonnes of rice to Bangladesh in 2011. The ministry also said it had signed MoUs to sell 2 million tonnes of rice to Indonesia and the Philippines.

Cyclone Daphne damages crops in Fiji

The government of Fiji declared a state of emergency on March 30 in response to Cyclone Daphne, which struck the western part of the island nation in an area home to 190 000 people. Although flood waters have now receded, assessments of the destruction are still preliminary, and the Ministry of Agriculture has estimated crop damage totalling USD 4.3 million. The UN is organizing relief efforts under its cluster approach, with UNICEF reporting that 12 000 people are living in 127 shelters, and are short of food and clean drinking water.

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

The support of the European Union through the EC-FAO Food Security Programme *Linking information and decision-making to improve food security* is gratefully acknowledged for its contribution in preparing this update. The contents of this publication are the sole responsibility of the author and can in no way be taken to reflect the views of the European Union.