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Japan meteorologists say El Niño has begun

Data from the equatorial region of the Pacific Ocean indicates that an El Niño weather system has begun and could last until early next year, adding another threat to crops in several parts of the world, Japan's Meteorological Agency said in early September.

El Niño weather systems have the potential to cause widespread drought in **Australia**, parts of **Africa**, **Southeast Asia** and **India**, but they can also bring rains to other regions. The Japanese agency made no attempt to forecast the extent and duration of the current emerging El Niño.

El Niño is a warming of sea-surface temperatures in the equatorial Pacific that occurs every four to 12 years. It is the opposite of the La Nina pattern, which often triggers floods in Australia and parts of Asia. La Nina was cited as a factor in the flooding that devastated parts of Southeast Asia in 2011.

The U.S. Climate Prediction Centre, part of the National Oceanic Atmospheric Administration, also warned in early September that an El Niño was almost certain to occur over the next two months. The last severe El Niño in 1998 caused

drought in Australia and Southeast Asia, withering crops and triggering forest fires.

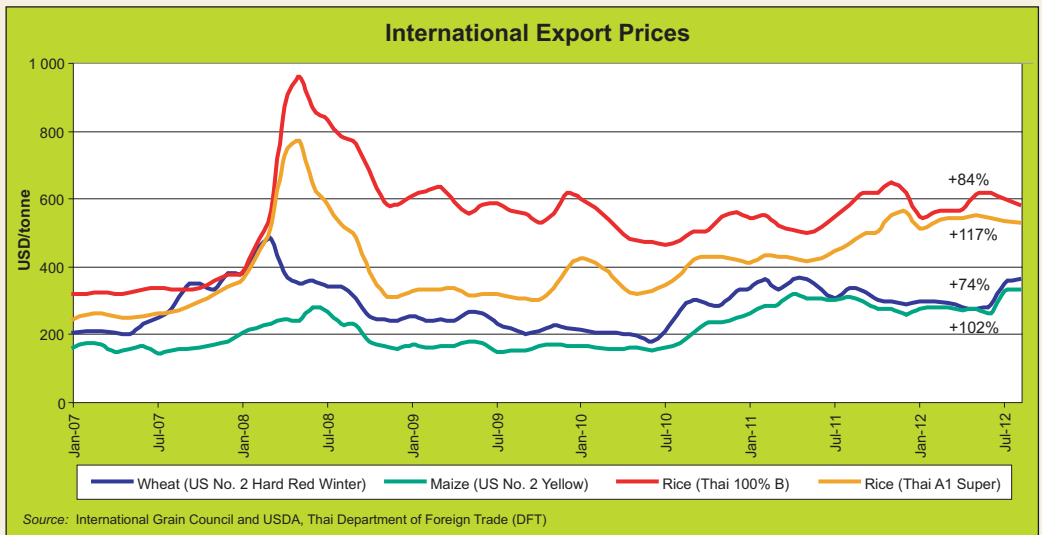
Several regions, including the midwestern **United States** and parts of the **Russian Federation** have already been suffering from severe hot weather and droughts even before the new El Niño. Maize crops in the U.S. and wheat crops in Russia have suffered damage because of the weather, sparking a sharp rise in grain prices and raising concerns about global food supplies and prices.

FAO senior economist Concepcion Calpe said she expected this El Niño to be mild, but it could jeopardize crops. "We expect more rain in the United States in the coming months, but it will be too late for the maize crop. It is impossible now (for it) to recover," Calpe said.

Global food prices steady in August

After a sharp increase in July, global food prices stabilized during August, according to FAO's Global Food Price Index released in early September. The Index stood at 213 points, unchanged from the previous month when prices surged 6 percent on the rising value of wheat and maize. The index is still 25 point below its peak of 238 in February 2011, and 18 points below its level in August last year.

Figure 1: Selected international cereal prices



Heavy rains in maize-growing regions of the **United States**, and **Russia's** indications that it will not impose a grain export ban kept the FAO Cereals Price Index unchanged at 260 after strong increases the previous month. Average prices for oils and fats were also unchanged, while the FAO Sugar Price Index fell by 8.5 percent from the previous month on improved crop prospects in **Brazil**, the world's largest producer. Sugar prices are an average of 25 percent lower than at the same time last year.

Prices for meat rose by 2.2 percent during the month with grain-fed poultry and pork leading the way. Average dairy prices were up 1.6 percent from July as strengthening demand coupled with production constraints from areas affected by drought and rising feed costs pushed prices higher.

Domestic rice prices generally stable as wheat prices rise

As demand for rice strengthened around Asia during August, countries that export

the region's staple grain saw domestic prices for it rise moderately, with the exception of **Thailand** where prices fell by 8.5 percent for 5-percent broken rice, and 5.5 percent for 25-percent broken, according to the Bank of Thailand. Rice-importing countries had generally stable domestic rice prices during the month. FAO's Global Food Price Monitor said that rice prices were generally low and at about the same as their levels one year ago in many countries. Domestic wheat and wheat flour prices, on the other hand, "increased markedly" in several countries because of higher international prices and rising export demand, the Monitor reported.

In **Afghanistan**, wheat prices rose by nearly 4 percent, and wheat flour by nearly 5 percent, while rice rose by 6 percent during August. Wheat flour prices tend to rise higher than wheat itself because of Afghanistan's limited milling capacity. In **Bangladesh**, wheat flour prices rose by 5.8 percent in July, the latest month for which data was available. Prices for mixed rice in

Cambodia fell by 2.6 percent in August. Wheat prices surged by 11.2 percent during August in **India**, while rice edged up by just 1.8 percent.

Domestic rice price movements were mixed in **Lao PDR**, with glutinous rice plummeting by 17.2 percent even as ordinary rice increased by 6.5 percent. In **Myanmar**, rice prices rose by 4.3 percent in August as export demand rose and flooding disrupted supplies. The Monitor reports that the government intends to release some rice stocks soon to stabilize prices. Wheat prices in **Pakistan** increased by 6.8 percent, and wheat flour prices by 2.7 percent. Prices movements were minimal in the **Philippines**, **Sri Lanka** and **Viet Nam**.

Viet Nam rice exports hit record high in August

Viet Nam had a record-breaking month of August for rice exports, even as total rice exports for 2012 remained behind the pace set in 2011, the Viet Nam News Agency reported.

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

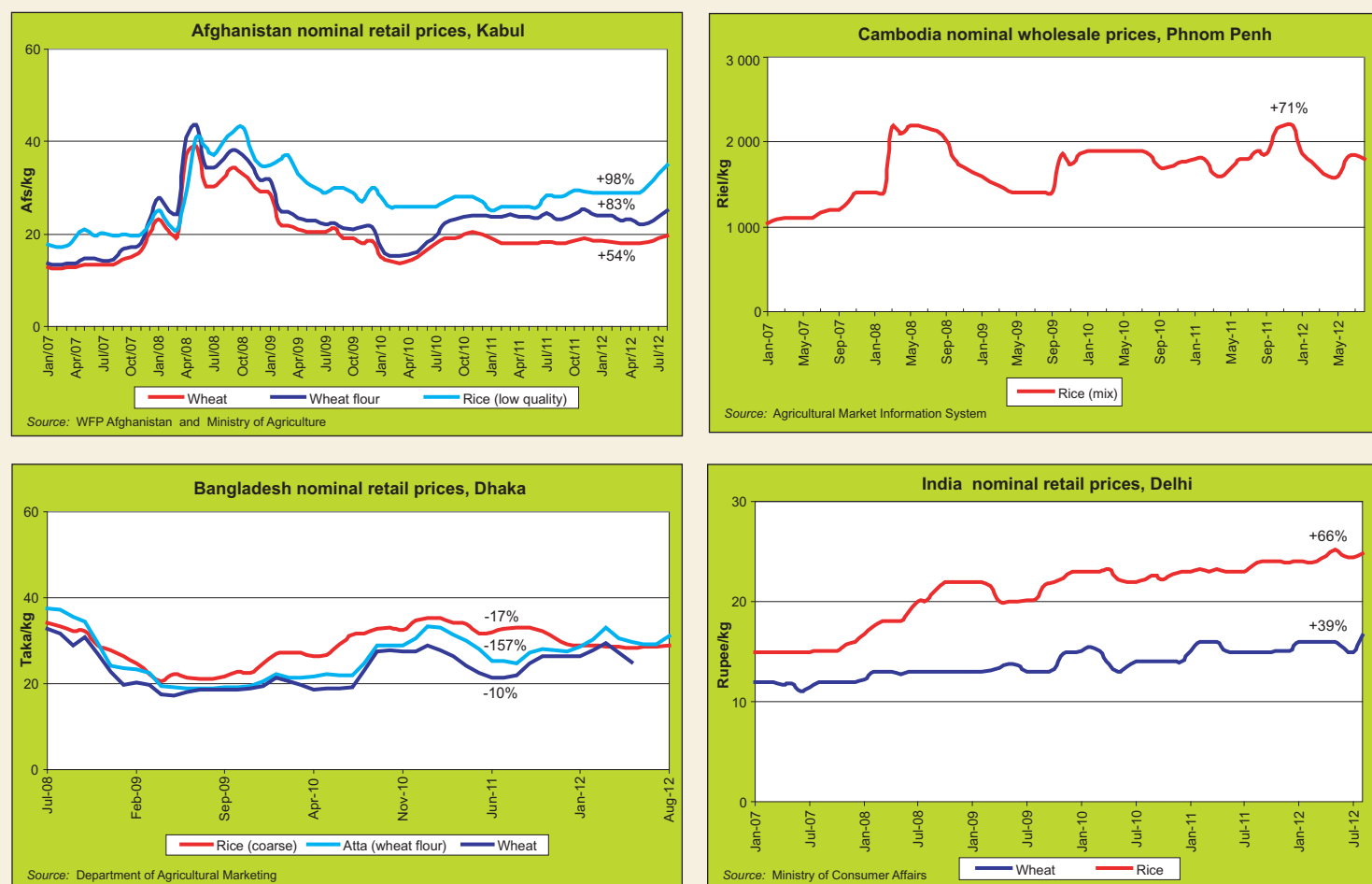
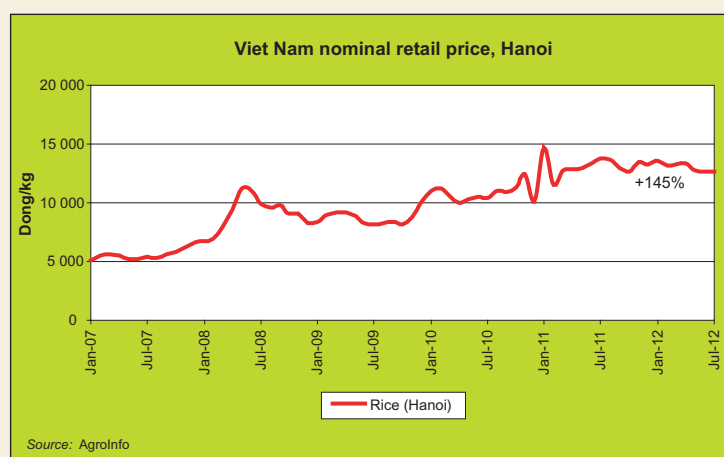
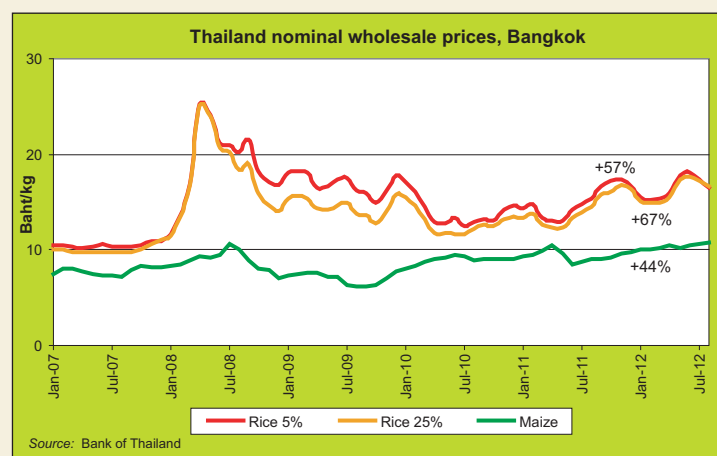
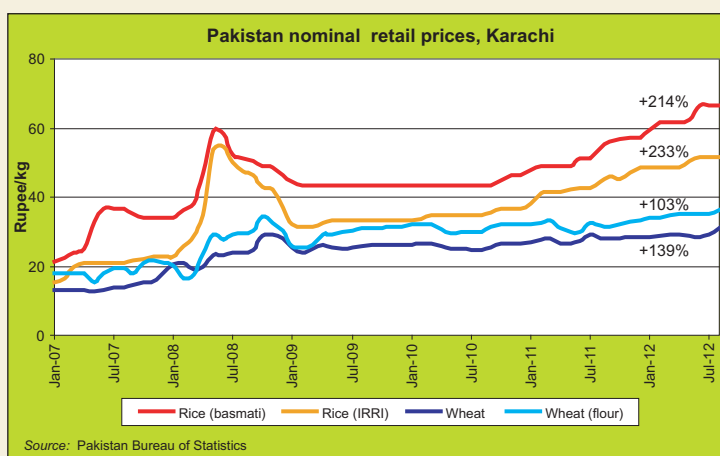
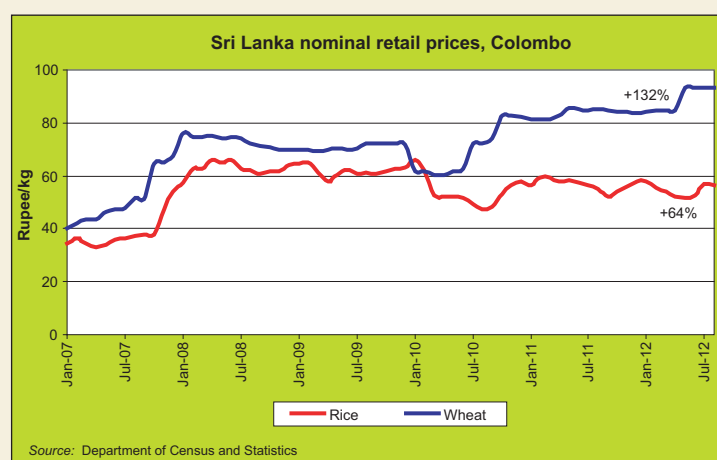
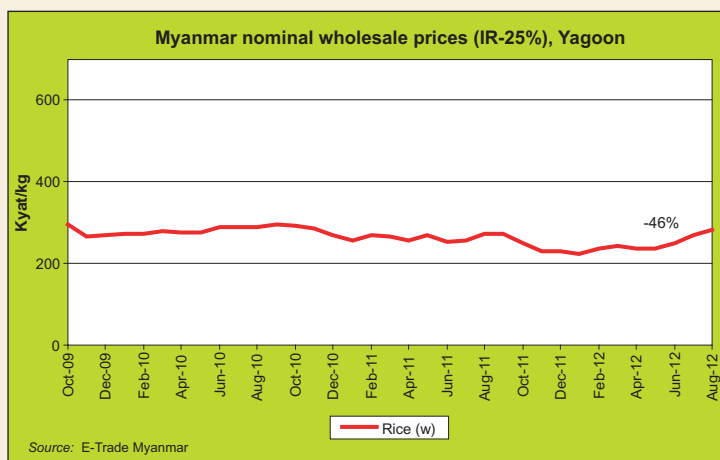
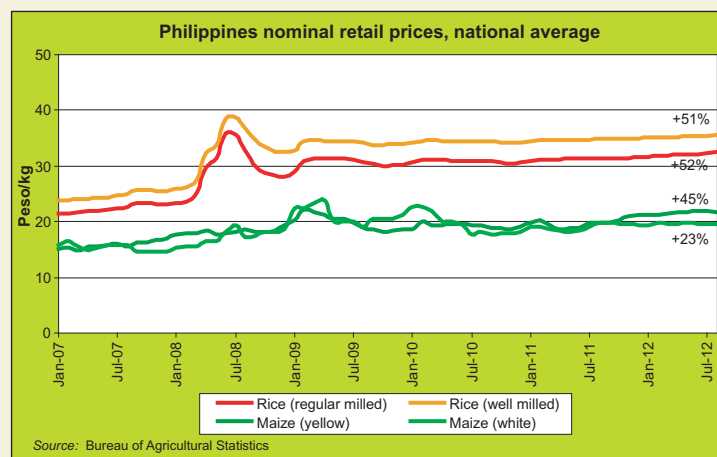
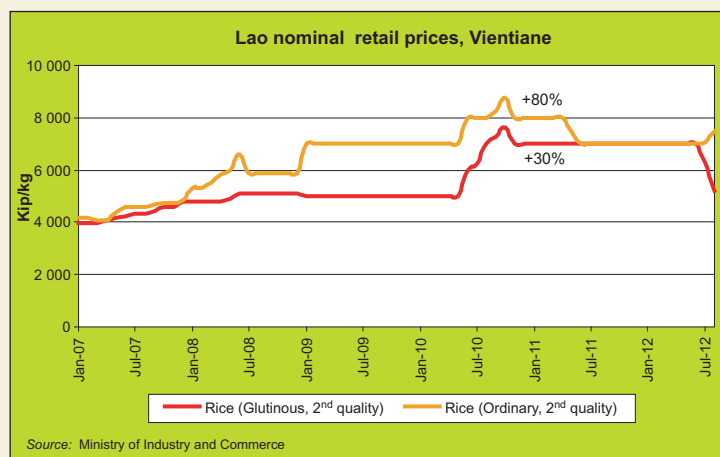


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



Rice exports totalled 928 000 tonnes in August, a 33 percent increase compared to the same month last year, and 22 percent more than rice shipped in July. Truong Thanh Phong, chairman of the Viet Nam Food Association, said the August figures were the highest ever for rice exported in a single month. It earned Viet Nam USD 399 million, 23 percent higher than July's earnings and 18 percent higher compared to August 2011.

Viet Nam exported 5.5 million tonnes of rice in the first eight months of this year, earning USD 2.48 billion, according to the Ministry of Agriculture. That amounted to a year-on-year increase of 0.5 percent in volume, but a year-on-year drop in value of 8.5 percent.

Rice prices, however, were rebounding, Phong said, rising by USD 40 to 45 a tonne during August to average USD 443 a tonne. Limited supply from the recent summer-autumn crop was the cause, coupled with strong import demand from China and from Africa, which bought 400 000 tonnes of rice from Viet Nam in August. China is now Viet Nam's largest rice buyer, and at a recent trade fair in Guangzhou province, VietNameese exporters signed contracts to export 1.5 million tonnes of rice to China.

Rice from Viet Nam is less expensive than rice from China, which makes it attractive to Chinese buyers. But Viet Nam's rice is now more expensive than rice from India and Pakistan. Phong said that global factors would keep rice prices stable for the foreseeable future. He added that Viet Nam should have no trouble meeting its national target of exporting 7 million tonnes of rice in 2012 should general conditions remain favourable.

Researchers isolate gene that improves rice yields in poor soil

Scientists from the International Rice Research Institute (IRRI) have succeeded in isolating a gene from an Indian strain of the grain that enables it to more effectively absorb nutrients and therefore grow in poor soil conditions, according to a report in the science magazine *Nature*.

The scientists have successfully introduced the gene into a few other varieties of rice and field-tested them in Japan, the Philippines and Indonesia with positive results. Yields increased by 20 percent where rice was planted with the varieties that had the gene incorporated into their make up.

The Kasalath strain of rice from India has long been known for its ability to absorb nutrients with great efficiency and thus grow with more resilience, but scientists only recently were able to isolate the gene that gives it that quality and introduce it into other strains.

"We found a gene that enhances phosphorus uptake in low phosphorus conditions. We have been looking for it for many years," said Sigrid Heuer of IRRI in Manila, and lead author of the study. He said that 50 percent of the world's arable land is too low in phosphorus.

Putin plays down concerns about Russian wheat exports

President Vladimir Putin eased concerns over a possible ban on wheat exports from drought-stricken Russia saying his country would contribute to a stable global food supply and plans to boost its wheat exports in coming years.

"Russia will make its contribution to a stable food supply," Putin said in a speech to businessmen ahead of the 21-nation Asia-Pacific Economic Cooperation (APEC) summit that will, among other issues, discuss food security. They were Putin's first comments on agriculture since the scale and severity of the drought in Russia's grain-growing regions became clear at the end of July.

After suffering a similar drought in 2010, Russia imposed a ban on grain exports, contributing to a sharp rise in global wheat prices. During August this year, analysts questioned whether Russia might again resort to banning grain exports in the face of the new drought. Some noted, however, that Russia's entry into the World Trade Organization made that less likely because the organization frowns on unilateral trade bans.

Putin laid out an ambitious goal of 120-125 million tonnes of grain output by 2020, an increase of about a quarter from last year's 94 million tonne harvest.

Putin said Russia should be able to export 35-40 million tonnes by 2020.

Meanwhile, SovEcon, a leading Russian think tank, said demand for Russian wheat from some trading partners, particularly Egypt, was slowing this year because of its high price. The average price for a metric tonne of Russian wheat increased between USD 6 and USD 10 in August, making it less competitive than wheat from France.

Cambodia inks rice deal with Indonesia, eyes China

Despite drought that has affected some of its rice-growing regions, Cambodia has signed an agreement to ship as much as 100 000 tonnes of rice a year to Indonesia and expects to sell as much as 300 000 tonnes to China, according to the Phnom Penh Post newspaper.

The memorandum of understanding (MoU) with Indonesia allows Bulog, Indonesia's state procurement agency, to source an annual maximum of 100 000 tonnes of rice from Cambodia through 2016, when the country aims to become self sufficient in rice production. "This is a good gesture. The MoU, I think, is the first step of many. We're hopeful that we will be able deepen our relationship with Cambodia soon," the Bulog chief said.

According to the FAO Rice Market Monitor, Cambodia has raised its rice exports from a few hundred thousand tonnes in the early or mid 2000s to an estimated 1.1 million tonnes in 2011, and is forecast to ship 1.2 million tonnes in 2012. Exports consist mainly of paddy deliveries through cross-border trade. Rice paddy production was estimated at 8.8 million tonnes in 2011 and is forecast at 8.7 million tonnes in 2012.

Green Trade Company, Cambodia's state-owned rice trading firm, will handle the exports to Indonesia. Cham Prasidh, Cambodia's Minister of Commerce, expressed hope that Indonesian companies will invest in rice milling operations in Cambodia, taking advantage more open rules on trade and investment in the region with the advent of the Association of Southeast Asian Nations (ASEAN) Economic Community in 2015.

The minister said that two Chinese companies are already investing in rice mills in Cambodia, and that he expects Cambodia will export 300 000 tonnes of rice each year to China. Ways to increase exports of cassava and corn to China were also part of talks he held with his Chinese counterpart Minister of Commerce Chen Deming.

Meanwhile, nearly 10 000 hectares of paddy fields have been destroyed by drought and over 120 000 hectares affected, with much of the damage occurring in western Battambang province, near the border with Thailand. Some Thai provinces are also suffering from drought. Cambodian officials have been warning farmers in affected areas that severe flooding often follows periods of drought.

India's rains return, food stocks for poor stolen

Two weeks of heavy rains in India at the end of August eased concerns over harvests and food prices after what had been a relatively dry monsoon season, as meteorologists forecasted a wet September.

Grain analysts had raised the possibility that India might choose to impose a ban on rice and other exports because of the poor monsoon season, but a rebound in rains has eased the drought situation in more than 50 percent of India, improving prospects for crops from rice to corn and soybeans. Monsoon rainfall is now 12 percent below average, down from 29 percent at the end of June with 70 percent of the country recording normal rainfall, according to India's weather bureau.

"The recent spell of rain has reduced the load of irrigation, otherwise the cost of cultivation would have increased for some crops," L.S. Rathore, director general of India Meteorological Department, told the Indian Express newspaper.

Meanwhile, a Bloomberg news report said that India's ambitious programme to feed its poor – the world's largest state-run food-for-the-poor distribution programme – has failed to deliver for many of those in need because of organized theft of food stocks and corruption. The agency cited a World Bank report released last year that found that in 2005 only 41 percent of the programme's food meant for the poor actually reached its target.

In August, Indian Prime Minister Manmohan Singh said "Malnutrition in children is a big challenge for us. We have taken steps in many dimensions to deal with this problem." He noted that the number of mothers accessing state-run integrated child development services had doubled during the past eight years.

Indonesia building grain and sugar stocks

Concerned over rising commodity prices, Indonesia's state-run procurement agency Bulog said it will quadruple its rice stocks and increase its stocks of maize, sugar and soybeans to guard against inflation.

Indonesia has about 500 000 tonnes of rice stockpiled, but will increase that to 1.5 to 2 million tonnes, Deputy Trade Minister Bayu Krisnamurthi, told news

agencies. The rice will be sourced both from local growers and exporters in the region. Indonesia, Southeast Asia's largest economy, imported 1.9 million tonnes of rice last year, mostly from Thailand and Viet Nam, and has plans to hold stocks of about 10 million tonnes by 2014.

Myanmar recommits to rice export target despite floods

Despite floods that have damaged as much as 80 percent of the rice fields in the Irrawaddy Delta, Myanmar's Rice Federation has restated its intention of exporting one million tonnes of rice in the 2012-2013 fiscal year, the Irrawaddy news website reported.

"We plant over 16 million acres annually for the rainy season crop and so flooded areas do not matter for total production. That's why it will not impact on the next crop production as we will handle this with our buffer stock to keep the local rice price stable as well as exporting," MRF General-Secretary Ye Min Aung told a press conference in Yangon.

Since June, heavy rain and overflowing rivers have caused serious flooding in the Irrawaddy Delta region, considered Myanmar's rice bowl. Around 70 000 people have been evacuated from their homes around the delta after the strongest monsoon since 2004. Myanmar President Thein Sein instructed the Federation to buy 1.6 million tonnes of rice stocks last year to guard against inflation, and the MRF said these stocks will give it the cushion it needs to meet its export goal. To foil speculators, the Federation does not reveal the exact size of its rice stocks.

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