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Table of contents

- India dethrones Thailand as top rice exporter 1
- Global food prices fell 7 percent in 2012 2
- Little movement in domestic prices 2
- China's historic shift from rice to maize 4
- U.S. and Myanmar eyeing rice sales to Japan 4
- Philippines boosting upland rice production 4
- Indonesia has no plans for rice imports 4
- Prices for Russian wheat expected to reach new highs 5
- India raises wheat export limit 5
- In focus: Price Movements for India 6

List of figures

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



India dethrones Thailand as top rice exporter

Just 18 months after it lifted a ban on exports of rice, India has taken the title of world's top rice exporter for the year 2012, dethroning Thailand, which had been the leader for the past three decades, according to the Thai Rice Exporters Association. India exported 9.5 million tonnes of rice last year, followed by Viet Nam at 7.8 million tonnes and Thailand at 6.9 million tonnes, the Association said, citing statistics from Viet Nam and the United States Department of Agriculture (USDA).

India's rise to the number one rice exporting position was driven by solid production and the affordability of its grain compared to the higher priced Thai rice. In an attempt to raise living standards for farmers and lessen income disparities, Thailand's government has instituted a rice support programme that pays farmers higher-than-market prices for their paddy. Consequently, rice from Thailand became more expensive, and the result was a loss of market share. The Association said that exports fell by about 35 percent from the 10.6 million tonnes exported in 2011.

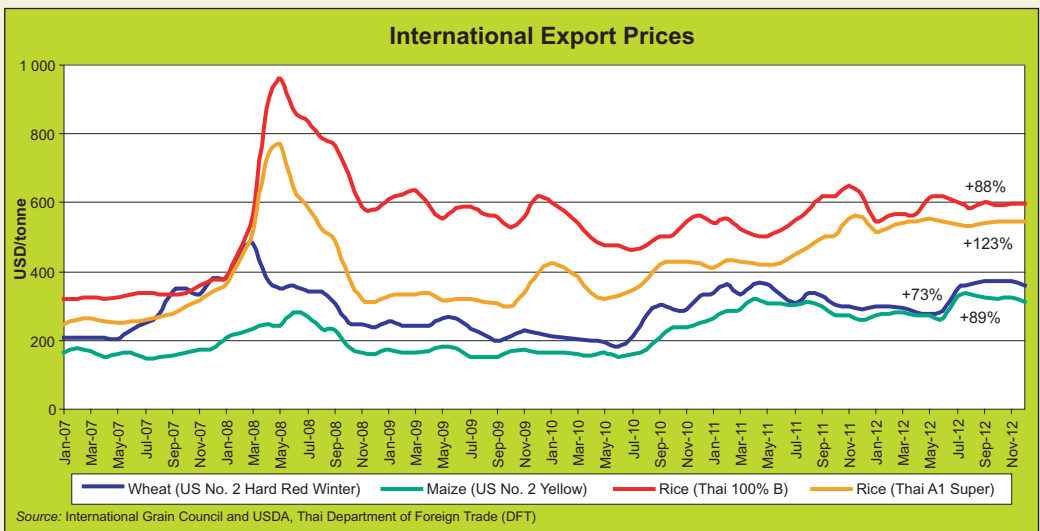
"We had been the champion since 1980, for 31 years, but we lost the top spot in 2012,"

Chookiat Ophaswongse, honorary president of the Thai Rice Exporters Association, told Agence-France Press. "Now Thai rice is US\$130-US\$150 per tonne more expensive than our competitors. That's why our exports have fallen."

India's total rice production in 2012 exceeded early expectations but was nonetheless forecast to be slightly lower than in 2011. Because of less rain than usual during the first part of the monsoon season, exporters were concerned that the harvest would be poor. But precipitation picked up as the monsoon wore on. In November, FAO forecast that India would produce 150 million tonnes in 2012.

However, Indian officials are saying their country is unlikely to retain the lead in exports in 2013. Ashok Gulati, chairman of India's Commission for Agriculture Costs and Prices, told the Economic Times newspaper that he believes India will not export more than about 7 million tonnes in 2013. He said he thinks that Thailand will be forced to sell its stockpiles to clear storage space for the next harvest. That will drive prices down, cutting into already thin margins for Indian exporters, inducing them to sell more domestically where the profit margins will be higher.

Figure 1: Selected international cereal prices



Global food prices fell 7 percent in 2012

Fears of a new food price crisis eased at the end of 2012 when FAO statistics showed that average global food prices fell by 7 percent compared to 2011. For 2012 as a whole, the Index averaged 212.

"The result marks a reversal from the situation last July, when sharply rising prices prompted fears of a new food crisis," said Jomo Sundaram, Assistant Director-General in charge of FAO's Economic and Social Development Department. "But international co-ordination, including through the Agricultural Market Information System (AMIS), as well as flagging demand in a stagnant international economy, helped ensure the price spike was short-lived and calmed markets so that 2012 prices ended up below the previous year's levels."

Sugar was the commodity that fell most sharply in 2012, (17.1 percent), followed by dairy products (14.5 percent) and oils

(10.7 percent). Price declines were much more modest for cereals (2.4 percent) and meat (1.1 percent).

The year finished with prices falling by 1.1 percent in December, the third straight month of falling prices, as the Index closed the year at 209 points. Cereals slid downward by 2.3 percent as demand for maize by industry and feed producers was weak, rice prices declined, but wheat prices were steady. Oils and fats prices fell by 1.9 percent on continued strong production of palm oil in Southeast Asia. Both meat and sugar prices declined marginally, while dairy prices edged up slightly by 0.9 percent, with prices considered stable after registering lows at mid-year.

Little movement in domestic prices

Overall, domestic prices in countries monitored in the Asia-Pacific region registered no significant changes in December. The largest movement was a 4 percent rise in meat prices in **China**, despite international meat prices remaining almost unchanged.

According to the FAO Price Update released in early January, international rice prices averaged lower in 2012 than in 2011, confirming the easing of market conditions observed during 2012. Similarly, in December 2012 FAO's All Rice Price Index fell by 2.6 percent on expectations of good harvests and falling quotations in international markets. This influenced the price of rice from most originating countries, especially from **Viet Nam** and **Pakistan**. Nominal retail rice prices for **Bangladesh, Cambodia, China, India, Indonesia, Myanmar, Pakistan, Sri Lanka, Thailand** and **Viet Nam** remained relatively stable in December, with the largest movement being a 3 percent drop in **Myanmar**.

International wheat prices showed minor changes over the past month resulting from low trading activity. Early indications for winter wheat crops planted in the northern hemisphere are mixed, and somewhat less promising than one month ago, according to the latest FAO Cereal Supply and Demand Brief. Nominal retail wheat prices for **Afghanistan, Bangladesh, China, Pakistan**

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

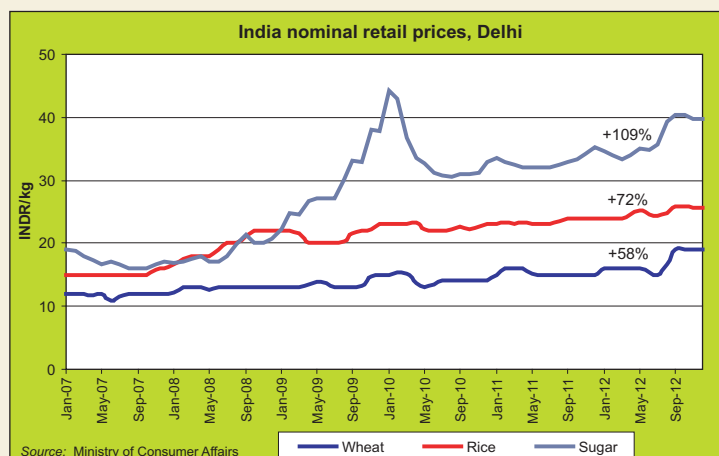
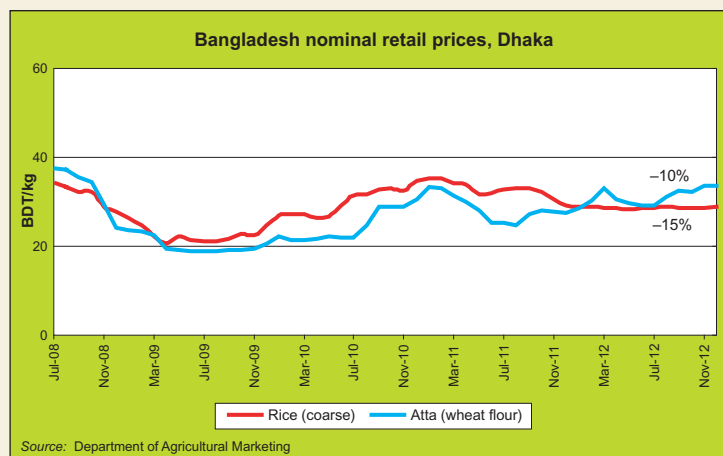
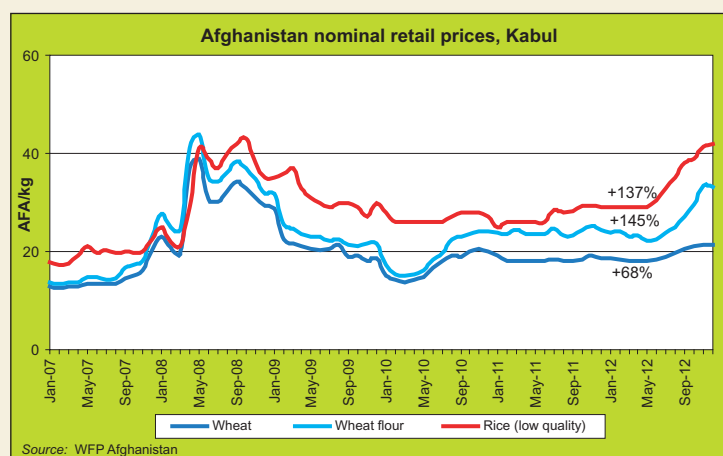
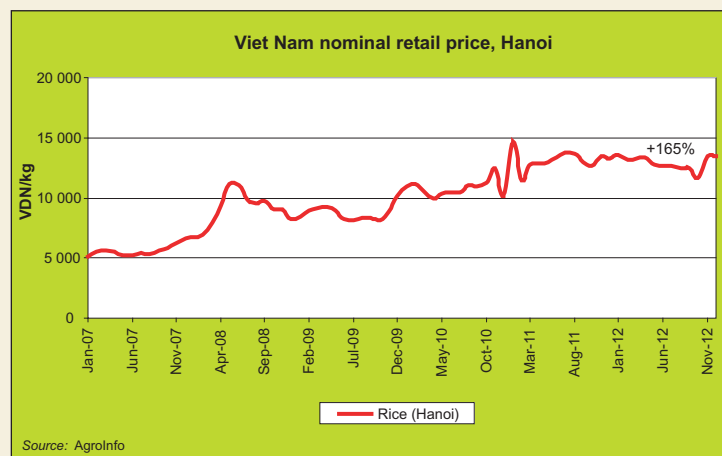
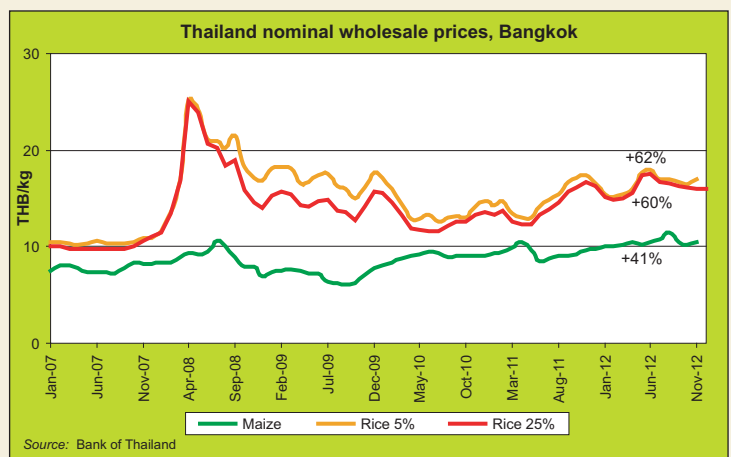
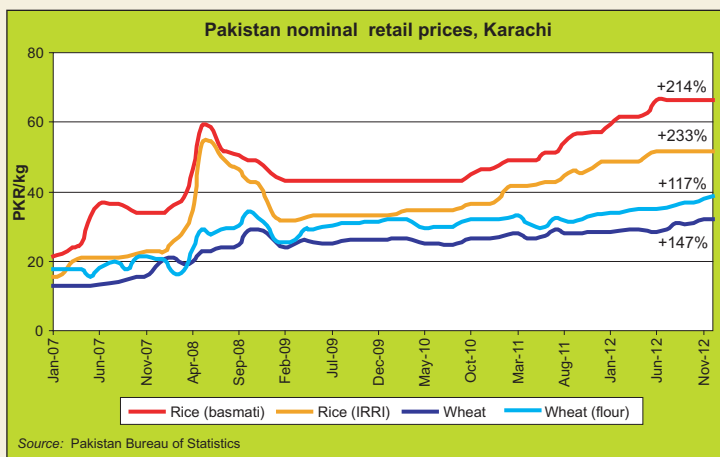
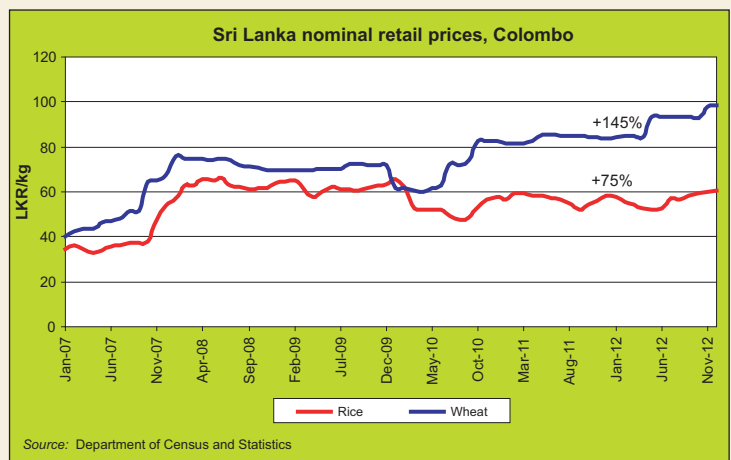
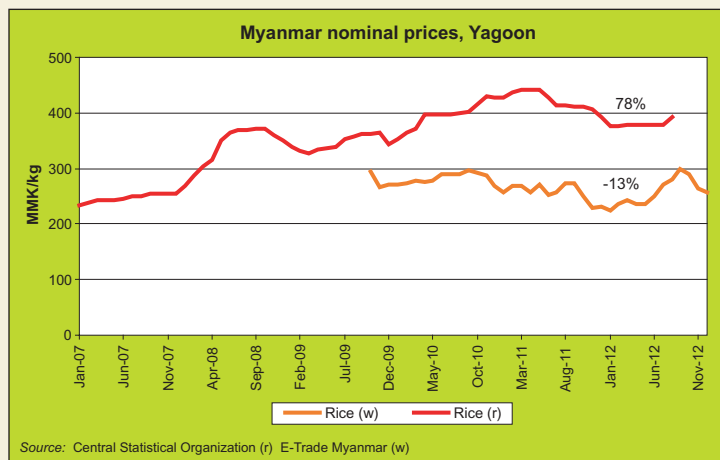
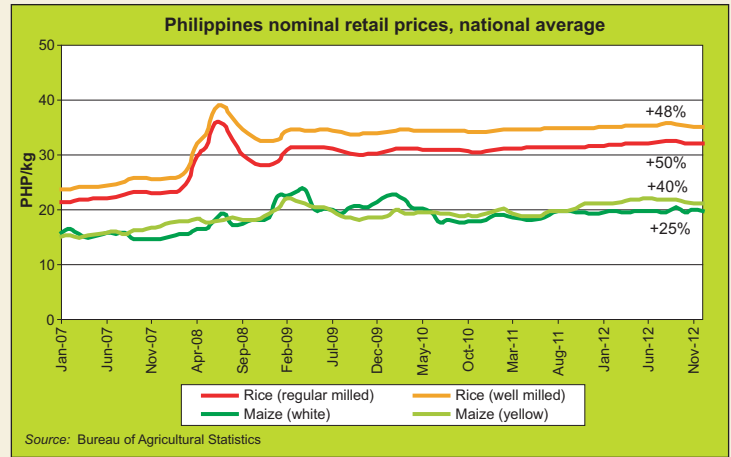
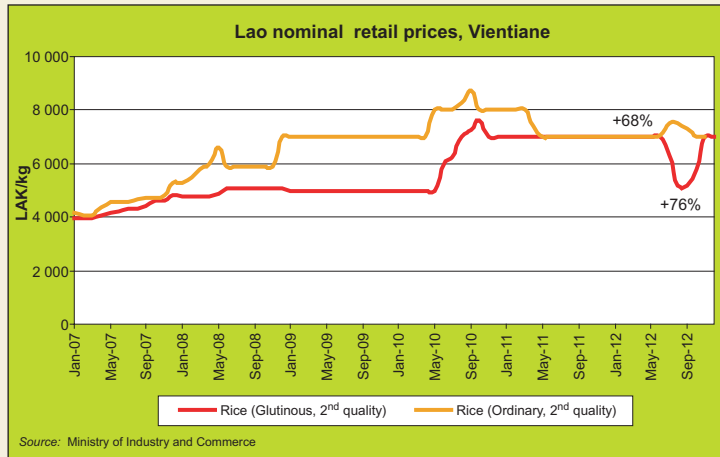


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



and **Sri Lanka** were largely stable during the month of December, however, the price of wheat flour rose by 2 percent in **Pakistan**.

China's historic shift from rice to maize

For the first time in its recorded history, China will have produced more maize than rice when the final numbers are tallied for 2012, according to projections for the coming year by the United States Grains Council (USGC). The shift is a result of the growing affluence of China's consumers, analysts said.

Rice is the staple food of China, and much of Asia, but as the purchasing power of China's people has increased they are eating more meat and dairy products. Over the past 20 years, consumption of poultry has increased 300 percent, pork consumption has increased 85 percent and beef consumption has increased 155 percent, the USGC said. Maize and other coarse grains are used in animal feed, and so demand for coarse grains has been rising.

The Council, which has operated in China for 30 years and provides market intelligence, said China will have produced 208 million tonnes of maize, up from 200 million tonnes in 2011, while rice production will total 200 million tonnes. The numbers roughly correspond to FAO's forecast in its December Crop Prospects and Food Situation report, which predicted China will produce 209.9 million tonnes of coarse grains and 206.5 million tonnes of rice.

"Dramatic shifts in maize production are taking place across the globe," said Kevin Roepke, manager of global trade for the Council. "This is stark evidence that today's maize producer is well poised to take advantage of growing global consumerism."

Analysts are split, however, on whether China's appetite for rice is growing or declining. Some are convinced that demand for rice among consumers is diminishing, while others say that tastes are simply shifting to higher-quality rice. China's import patterns suggest, however, that consumer demand for rice is still strong. Although it is the world's largest producer of rice, to keep up with consumer requirements China has found

it necessary to import the grain during the past two years – taking in 2.6 million tonnes of milled rice in 2012, according to the USDA.

U.S. and Myanmar eyeing rice sales to Japan

With some of Japan's agricultural lands rendered unusable because of the 2011 tsunami, rice exporters in the United States and Myanmar are hoping Japan will become a growing market for their grain. "Now the environment is very different. There is more interest in foreign rice," Yumi Kojima, director of the U.S.A. Rice Federation Japan told Capital Press.

Japan strictly limits imports of rice except for processed rice and rice used for animal feed and other purposes. Japan's consumers also strongly prefer home-grown rice. Nonetheless, under Japan's quota system, the country has been importing over 650 000 tonnes of rice per year for the last several years. And rising prices for Japanese rice coupled with growing concerns over food safety may provide an opening for foreign rice.

Radiation from the nuclear accident in Fukushima prefecture has tainted rice and other agricultural goods in prefectures as far away as Chiba and Kanagawa on the main island of Honshu. While the levels are low and Japanese authorities insist the produce is safe to eat, some consumers remain sceptical. Furthermore, some agricultural lands near the coast suffered seawater intrusions that left them useless for growing rice, vegetables and fruits.

Rice from the U.S. makes up about half of Japan's imports of the grain. Much of it is the Calrose variety from California, which does not compete with the sticky short-grain rice grown in Japan. Most imported rice remains in emergency stockpiles and is donated to developing countries or sold to food processors. In December, for instance, Japan donated over 19 000 tonnes of rice to Nepal. But Kojima said demand for foreign rice is rising.

Myanmar also hopes to benefit from this increasing demand. The Myanmar Rice Federation (MRF) said that it held discussions in December with Japan's Ministry of Agriculture, Forestry and Fisheries. "Japan wants to buy white rice from Myanmar under a tender system,"

MRF Central Executive Committee member Soe Tun told Mizzima news agency. The amount of rice Japan is interested in buying has not yet been agreed upon.

Philippines boosting upland rice production

The Philippines will invest more in upland rice production as a response to climate change and as a greater contribution to achieving self-sufficiency in rice production. The Department of Agriculture will focus initially on an organic upland rice production project in Bicol, the Philippine Information Agency reported.

The project will promote drought-tolerant rice varieties naturally found in Bicol. The Department said that Bicol's upland rice varieties have the potential for higher yields and tolerance to drought needed to survive the prevailing climate change threats.

"Our development of upland rice is very timely as these varieties have the potential to withstand higher temperature and fewer water supplies which is what we really need amid the threatening climate change," said Bureau of Agricultural Research director Nicomedes P. Eleazar. The country is aiming to achieve self-sufficiency in rice production and officials have said rice imports will be lowered in 2013.

Indonesia has no plans for rice imports

Indonesia's logistics agency Bulog has said it has no plans to import rice on 2013 because the country already has over 2 million tonnes stockpiled, the Jakarta Post newspaper reported. Bulog chief Sutarto Alimoeso said that with a record-high 2.28 million tonnes in reserve at the end of December he could foresee no need for imports for at least another eight months and possibly beyond.

Indonesia is the world's third-largest consumer of rice after China and India. Although the country had been a regular buyer of rice from Thailand, domestic production has been steadily rising, reducing the need for imports. The Ministry of Agriculture is forecasting a 6 percent rise in paddy production to 74 million tonnes this year. Bulog had been given the green light to import

1 million tonnes of rice in 2012, but ended up importing only 670 000 tonnes, 600 000 of which came from Viet Nam and 70 000 from India. No purchases were made from Thailand last year because of the high price of Thai rice. Bulog has signed an agreement with Myanmar, and said it would invest in rice mills in Cambodia and open an office there to facilitate rice imports, but only as needed from both countries.

Last year, the government revived Bulog's role managing buffer stocks of essential grains and foods. The agency anticipates buying over 3.5 million tonnes of rice from local farmers this year, slightly less than last year. The agency said that the number of poor households, the main target of its food distribution, has declined by 11.5 percent to 15.4 million.

Prices for Russian wheat expected to reach new highs

Russian wheat, having already registered price rises of as much as 75 percent because of drought in 2012, will reach new record highs in the coming months because of poor weather conditions reducing output from the winter harvest,

analysts from the SovEcon economic consultancy have said. Already short supplies are being tightened even further by farmers reluctant to sell their grain because they are counting on prices rising as the year wears on.

"Farmers are not in a hurry to sell their grain. The main factor is expectation of higher prices during the new year," SovEcon said in a note in early January. "Deteriorating weather conditions for winter crops are also not helping as it may increase demand for seeds needed for crop re-sowing during the spring,"

The Ministry of Agriculture is predicting 38.6 million tonnes of winter grain production this year, up from 29.2 million tonnes in 2012, but slightly below the 2011 harvest of 39.5 million tonnes. Russia's 2012 drought sparked a 19 percent increase in the price wheat in the month of July alone, an important factor in a 6 percent rise in global food prices for that month.

India raises wheat export limit

India has raised its limit on wheat exports by half a million tonnes to 2.5 million tonnes on optimistic forecasts of

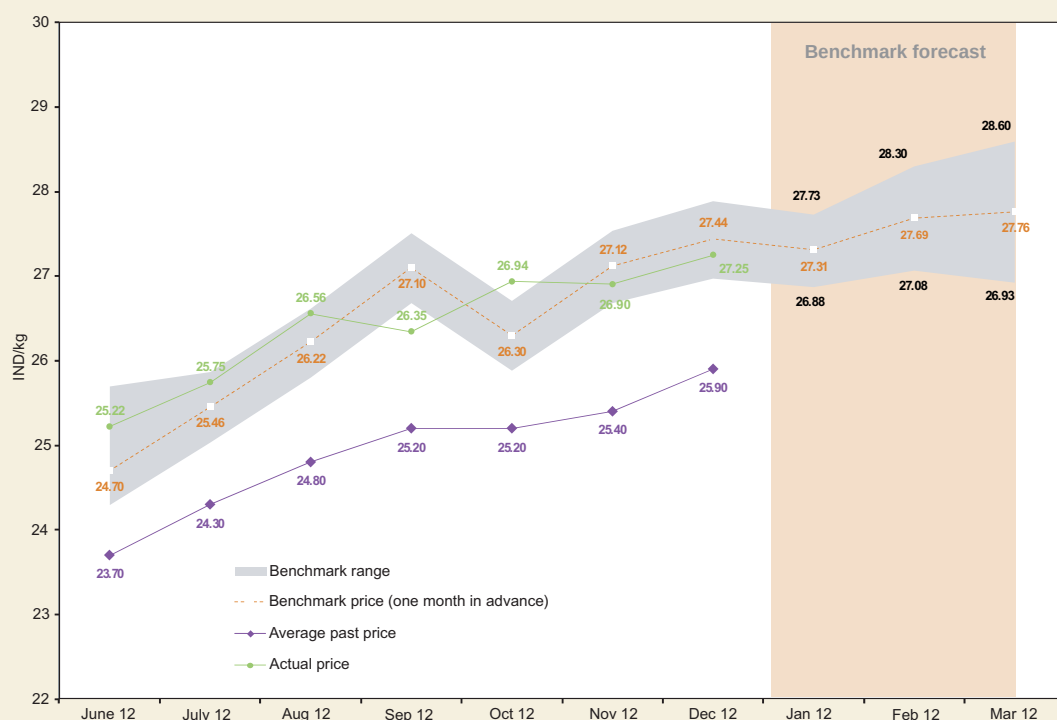
a bumper crop this year. In addition, the government said it would pay farmers 5 percent more for their wheat crops, according to Reuters news agency.

Successive good harvests prompted the government to resume wheat exports last year as warehouses are overflowing with the grain and storage is a major weakness in the country's agricultural infrastructure. A significant percentage of Indian wheat spoiled after being left outdoors because silo and warehouse space was lacking. Wheat stocks totalled 37.6 million tonnes on 1 December, more than three times the mandated target for reserves of 11 million tonnes. Since August, the government has allowed state-controlled trading firms to export wheat so stocks can be reduced.

The 5 percent price increase came as a surprise to farmers, as the government had earlier said it would not raise payments. India buys grains from local farmers at set prices to protect them from distressed sales. It maintains stocks for emergencies and food distribution programmes. The higher price will also help farmers cope with the rising costs of inputs, such as fertilizer and diesel.

In focus: Price Movements for India (rice retail prices, National average)

Rice prices in India during December were 1 percent below the benchmark price. The benchmark rice price for January in India is forecast at INR (Indian Rupees) 27.31 per kilo (within a benchmark band of INR 26.88 – 27.73 per kilo). Over the past five months, actual rice prices have been outside the benchmark range two times (in September and October). If prices follow normal seasonal patterns during the next three months, retail nominal prices for rice in India are likely to move slightly upwards (+2%) within a benchmark range of INR 26.93-28.60 per kilo.



Technical note

The FAO Price Monitoring Model is a simple tool designed to assist policy makers, farmers and traders in assessing whether recent price trends are in line with those typically observed in the past. The purpose of the model is to determine whether short term price movements of a commodity exceed a benchmark which takes into consideration seasonality, inflation and historic variability. The model uses only data on past prices and the consumer price index (CPI) to capture these characteristics. It establishes an expected level of price for the following month along with a range of uncertainty generated by past deviations from expected prices. Price movements can be interpreted as "excessive" if prices fall outside the benchmark range. The difference between the actual price and the "benchmark price" (1 month in advance) that was forecasted for that same month is also calculated by the model although not shown in the graph. An additional feature of the model is to show the current level of prices relative to an average of past prices during the past four years (adjusted for inflation). For details on the model, please see: <http://www.foodsec.org/web/publications/briefs/>.

The graph shows that recent price movements in India are in line with the general trend observed in the past (7 years). It also shows that actual prices have been consistently above average past prices (up 6 percent in average).

Typically, rice prices present a mix trend from November to January, as this period corresponds to the interval between the end of the harvest from the *Kharif* season (January) and the start of the *Rabi* season (November).

Official production forecast point to total rice output of 150 million tonnes (100 million tonnes, milled basis), 4 percent below the 2011 record harvest, but still the second best performance on record**.

* Retail nominal prices have been averaged from 4 market points (Chennai, Delhi, Mumbai and Patna).

*** FAO-GIEWS Country Brief (17 December 2012).

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