



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

MAY 2013

Table of contents

- FAO predicts India will be top rice exporter in 2013
1
- Global food prices rise for second straight month
1
- Wheat and rice prices mostly fall around the region
2
- Currency woes hit Thai sugar producers
4
- Researchers verify innovative rice growing technique
4
- Super strains of rice from China ready in three years
4
- India's near record paddy production creating storage problem
4
- Japan buys Myanmar rice for first time in four decades
5
- China wheat imports expected to rise
5
- Russian grain exports rising
5
- Philippines buys rice from Viet Nam
5

List of figures

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



FAO predicts India will be top rice exporter in 2013

FAO is predicting that India will retain its title as the world's leading rice exporter in 2013 one year after displacing Thailand, which had been the top rice exporter for three decades. The Organization forecast that India will ship 8.3 million tonnes of rice this year in the latest issue of its Rice Market Monitor, although that would be significantly less than the 10.3 million tonnes it shipped in 2012.

"We estimate that at the end of this year, India will remain the number one rice exporter, with Vietnam and Thailand slightly behind with 7.8 and 7.7 million tonnes, respectively," said FAO Assistant Director-General and Regional Representative for Asia, Hiroyuki Konuma. Overall, rice production in Asia should increase by 2.2 percent to 452 million tonnes, according to the Monitor, with rising production driven by good weather and government support programmes in India and Thailand that encourage farmers to plant more rice. "This will be the third year of bumper harvests for rice in Asia," Konuma said.

Strong production, however, has been driving down the average price of rice, which fell by 4 percent during the first quarter of 2013. Rice has been the only major grain to decline in price, helping to blunt global food price

inflation. Increased production has also created stock and storage problems in India and Thailand as both countries are struggling to offload rice purchased in the past to make room for rice from the coming harvests. Thailand introduced a rice support program in 2011 in which it pays farmers above market rates for their paddy. Intended to alleviate income disparities, Thai officials believed they could raise the price of rice in international markets and other countries would follow suit. The glut of rice, however, has driven prices down and Thai rice exports have suffered because they are less competitive on price.

Global food prices rise for second straight month

Higher prices for dairy goods drove the FAO Global Food Price Index up by 1 percent in April, the second straight month the index rose. Food prices were also 1 percent higher than in April 2012, but 9 percent below their peak in February 2011. "Similar to price developments in March, the April increase was driven almost exclusively by a sharp rise in dairy quotations, as meat prices rose marginally with other food commodities falling," said Konuma.

Prices for cereals, the most important element in the basket of commodities measured to formulate the index, fell by 4.1 percent, but are still 4.9 percent higher than one year ago. All

Figure 1: Selected international cereal prices



of the three major cereals – wheat, maize and rice – saw price declines, with maize registering the sharpest fall on expectations of higher closing stocks and favourable crop prospects. FAO's latest Cereal Supply and Demand Brief is forecasting strong growth in world cereal production in 2013, over its estimate of 2.3 billion tonnes in 2012. Global wheat production is expected to rise 5.4 percent to 695 million tonnes, coarse grains production could rise by 9.3 percent to a new record at 1.266 billion tonnes, and rice production is forecast to rise to 497.7 million tonnes, 16 million tonnes more than in 2012. Cereals utilization, however, is expected to stagnate and trade in the grains decline.

The FAO Dairy Price Index surged 14.9 percent in April, the second-highest monthly increase on record, because of a steep decline in milk production in New Zealand, the world's largest dairy exporter. FAO said that an abnormally prolonged dry period at the start of the year led to farmers drying off or culling milk cows early, which in turn caused a reduction in the processing of dairy products.

Sugar prices fell by 3.6 percent in April, and prices for Fats and Oils slid by 1.5 percent on weakening energy prices and concerns over the global economy. Meat prices edged up marginally, although meat prices have remained high by historical standards.

Wheat and rice prices mostly fall around the region

Strong production generally kept domestic prices around the region stable or drove them slightly down for wheat, wheat flour and rice, except in **India** and **Myanmar** where government procurement programmes pushed prices higher. Overall, however, prices were mostly higher than at the same time last year, according to FAO's Global Information and Early Warning System (GIEWS).

In **Afghanistan**, prices for wheat and wheat flour were largely unchanged except in Kabul where wheat flour fell by 8 percent. Wheat flour prices also fell by 4 percent in **Bangladesh**, but rice prices were steady ahead of the next harvest. In **Cambodia**, an expected record output from the coming

second rice harvest put downward pressure on rice prices. **China's** rising imports of wheat and Japonica rice kept those prices stable, but meat prices fell by 6 percent. Rice prices in **India** rose an average of 2 percent mainly because of government support programmes, but wheat prices decline marginally by 1 percent.

The arrival of the second rice harvest weakened rice prices in **Indonesia**, but as in most countries around the region prices were higher than one year ago. Rice prices rose to record levels in **Myanmar** partly because of increased exports to Indonesia and government procurement programmes. After months of increases, wheat prices began falling in **Pakistan** during April on forecasts of a strong harvest. Wheat flour fell by as much as 9 percent, while wheat declined by an average of 4 percent. Prices for rice in the **Philippines** were stable, and have been stable for about one year. Rice prices fell by about 2 percent in **Sri Lanka** and would have fallen further had it not been for government procurement programmes. **Thailand's** procurement programme kept

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

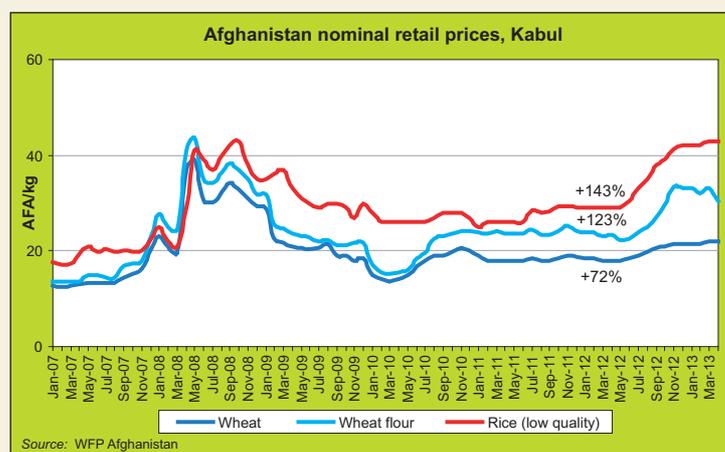
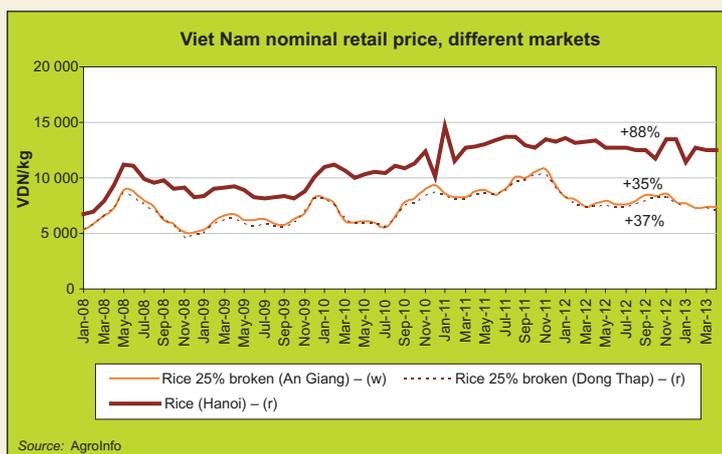
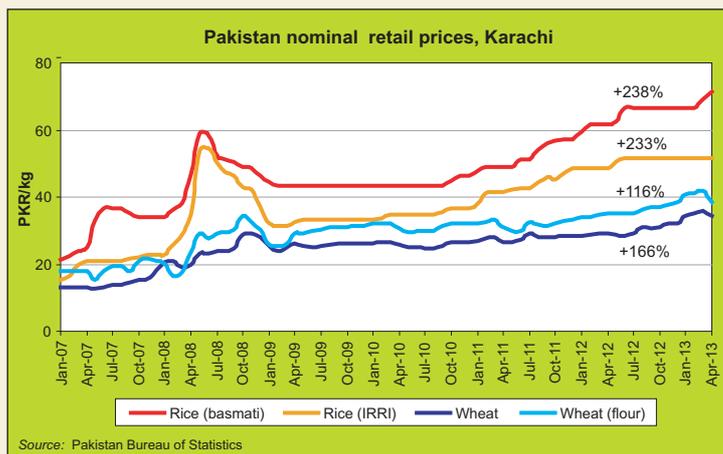
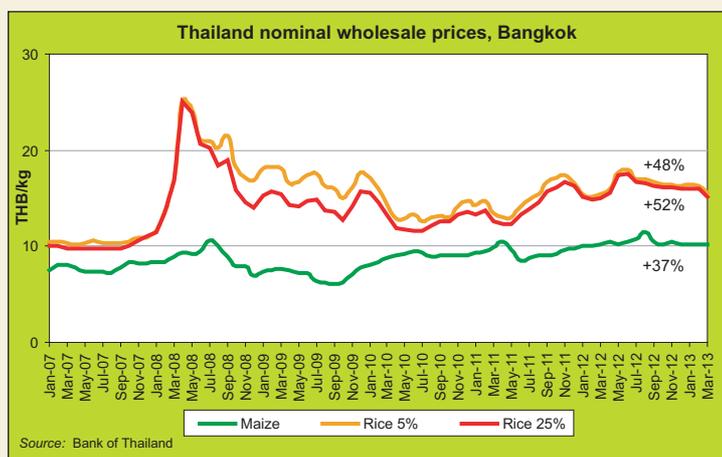
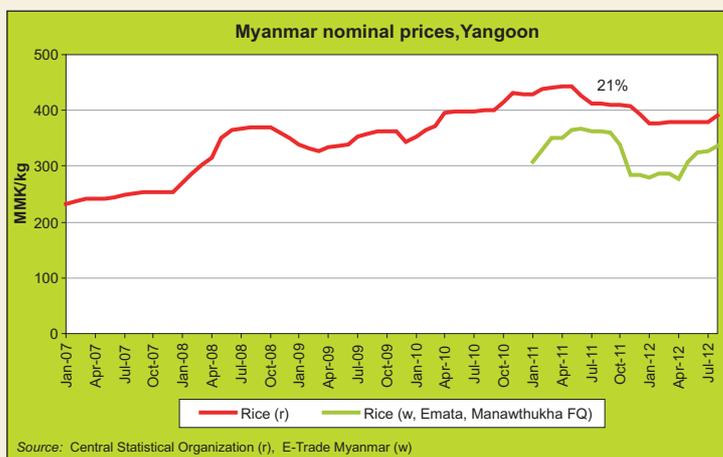
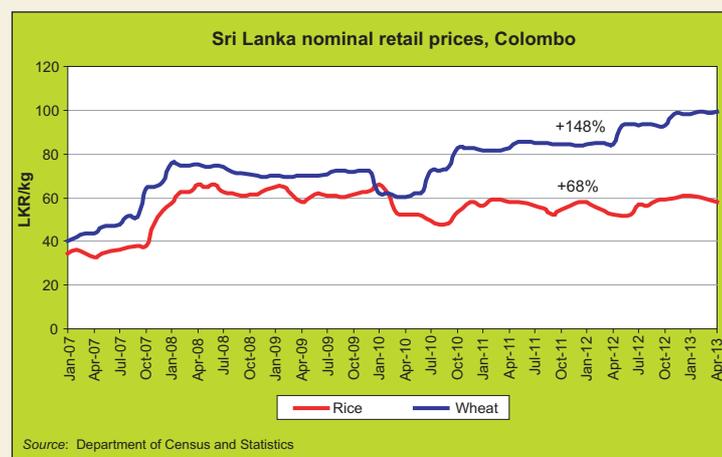
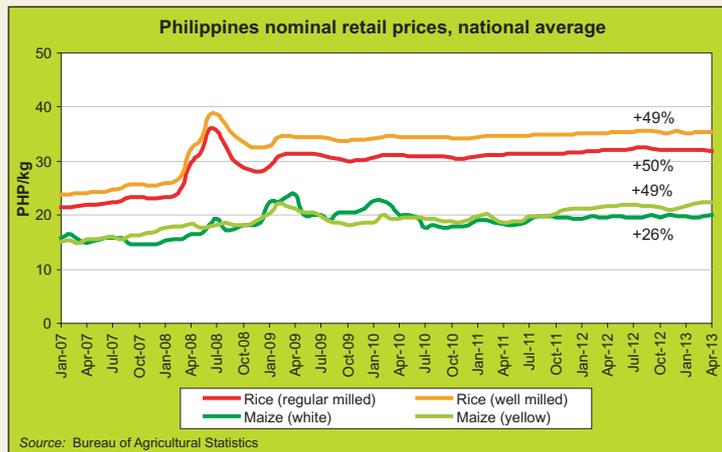
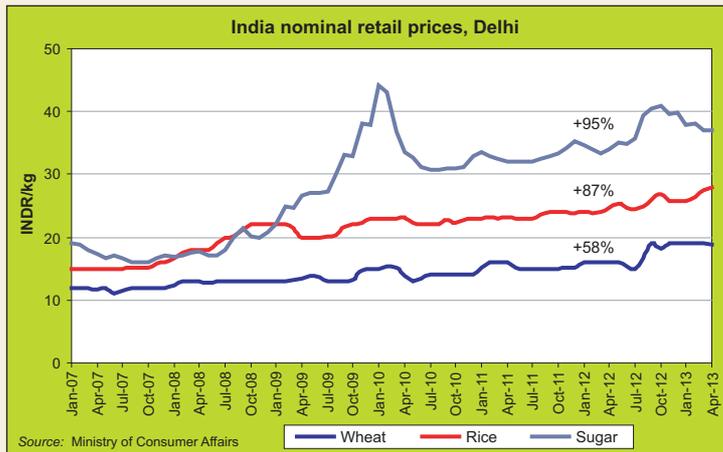


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



rice prices steady. Prices for rice were also generally stable in **Viet Nam**.

Currency woes hit Thai sugar producers

Thailand's sugar exports are suffering a prolonged slump because of the rising value of the country's currency, the baht, in relation to the US dollar, according to the Bangkok Post. The baht is at its strongest level since the 1997 economic crisis when Thailand was forced to float its currency. The Post said that Thai sugar exports were heading for a third straight year of declines, the longest slump for the industry since 1992.

Thailand is the world's second-largest exporter of sugar after Brazil, but data from the Ministry of Commerce indicated earnings from sugar exports fell by 34 percent to US\$270 million in March compared to the same month in 2012. In terms of volume, shipments fell by 24 percent to 593 114 metric tonnes, down from 785 036 metric tonnes in March the previous year. Thailand is expected to produce 10 million tonnes of sugar in the 2012-2013 crop year that started in November, compared with 10.24 million tonnes a year earlier, said the Vice President of Thai Sugar Millers Corp, Sirivuthi Siamphakdee. Sugarcane production for 2013-2014, meanwhile, is forecast to rise by 2 percent.

Piromsak Sasunee, chief executive officer of Thai Sugar Trading Corp in Bangkok, the country's biggest exporter, told the paper, "our export income has fallen by around 10 percent from the beginning of the year as the local currency climbed."

One commodities analyst said that Thailand was at a disadvantage because sugar cane does not have significant alternative uses in the country, and so there was not a domestic market to sell to when exports were struggling. Brazil, on the other hand, has a strong demand for cane to produce ethanol.

Researchers verify innovative rice growing technique

Researchers from the United States and Japan have confirmed that a planting technique that produced a reported world-record output of rice per hectare in India is effective in sharply increasing yields. However, applying the technique did not result in increased income for

farmers where it was observed because of complicating factors, National Public Radio of the US reported.

News of the record rice output in an Indian village using a technique known as "system of rice (or root) intensification," or SRI, was reported earlier this year in The Guardian newspaper and in the March issue of APFSU. One farmer there harvested 22.4 tonnes of paddy from one hectare using SRI and no chemical fertilizers or pesticides. The technique in which farmers plant rice seedlings in dry ground rather than water-flooded fields, was originally developed in Madagascar in the 1980s. However, analysts cautioned that farmers in other areas had tried SRI and abandoned it because they did not achieve similar results.

Intrigued by the reports from India, an economist from Cornell University in the US and a researcher from the Japan External Trade Organization (JETRO) studied a community of farmers using SRI in Indonesia. They found that farmers using SRI increased their rice yields by an average of 64 percent per hectare. However, despite higher yields and less money spent on chemicals and fertilizers, the farmers' household income did not increase. The reason is that SRI demands more time and labour to perform, and most farming families earn extra income from non-farming jobs. The demands of SRI meant there was no time for non-farm work to supplement earnings, and so while yields were raised, income was not.

Super strains of rice from China ready in three years

Scientists in China say they believe they can develop super strains of rice seedlings capable of producing yields of 15 tonnes per hectare in as soon as three years, the China Daily reported. The announcement was made by Chinese agricultural scientist Yuan Longping, who is known locally as "the father of hybrid rice" for his work in developing new varieties of the grain.

Yuan said that he had expected the strains to take five to eight years to develop, but that his work had progressed so well that they could be ready in three years. He launched a field project using the new hybrid strains in May in Hainan province. China Daily said that Chinese farmers planted 17 million hectares of hybrid rice last year with an average yield of 7.5 tonnes

per hectare. Pilot projects using newer hybrid strains have produced yields of 13.5 tonnes per hectare, but use of these strains has yet to be scaled up.

In an opinion piece published in China's People's Daily Online, Microsoft founder and philanthropist Bill Gates said his foundation is working in Africa with the Chinese Academy of Agricultural Sciences to develop a series of new rice varieties, called Green Super Rice. Gates said that in pilot trials in some communities in Africa and Asia, Green Super Rice has helped smallholder farmers increase production by 20 percent. "The innovations in gene sequencing, led by Chinese scientists at the Beijing Genome Institute (BGI), could also lead to dramatic productivity gains. It is exciting to be working with some of the best scientists to drive progress for the poorest people in the world," Gates wrote.

India's near record paddy production creating storage problem

With forecasts for near record rice production, India's government has asked the state-run Food Corporation of India to clear 1.2 million tonnes of rice from state warehouses to make room for paddy that is being procured from the current harvest, according to a report from New Indian Express. On news of a bumper crop, the government has raised its procurement target from 30 million tonnes of rice to 35 million tonnes. The government has already procured 29.4 million tonnes and more paddy is on the way and expected to reach warehouses by mid-May.

The Food Corporation of India, a state agency tasked with supporting prices, distributing basic food supplies and maintaining buffer stocks, only has about 6 million tonnes of storage space in its warehouses. The government has asked the Corporation to stop storing wheat in order to leave space for rice. The paper said that the government will have to contract storage space from the private sector in order to warehouse the rice. FAO's Rice Market Monitor reported that "reflecting the pressure on government granaries and mounting costs to the State, in April, the Commission for Agricultural Costs and Prices recommended that minimum support prices for paddy in 2013 be raised by a maximum of 5 percent above their year earlier level."

India's strong rice production allowed it to revoke an export ban on the grain two years ago. Last year, India became the world's leading rice exporter, largely based on its robust production and price competitiveness, even though plantings were reduced because of a drier-than-usual monsoon season. FAO's Rice Market Monitor predicted that in 2013 plantings should recover to at least 2011 levels, and based on expectations of a normal monsoon season, the Organization tentatively forecasts that India will produce 156.7 million tonnes of rice (104.5 million tonnes, milled basis), up 4 million tonnes year-on-year.

Japan buys Myanmar rice for first time in four decades

Mitsui Corporation of Japan has agreed to buy 5 000 tonnes of quality rice from Myanmar, the first Japanese purchase of the grain from Myanmar in 45 years. Japan's domestic rice industry is highly protected and only a relatively small amount of imports are allowed. Executives at the Myanmar Rice Industry Association have said that Japan is very interested in investing in the country's agricultural sector, and Mitsui is investing in four rice-processing plants in Myanmar with local joint venture partner Myanmar Agribusiness Public Corporation Ltd. (MAPCO). "What we need is technology. That's why we are collaborating with companies like Mitsui," Chit Khaing, head of both the company and the industry association told Radio Free Asia.

Mitsui and MAPCO have agreed to set up a network of rice processing plants, including mills, as part of an Integrated Rice Complex Project that will have an intake of 400 000 tonnes of rice per year, RFA reported. MAPCO will take a 51 percent stake in the venture, with the four plants located in Naypyidaw, Yangon, Ayeyarwady and Bago. Chit Khaing said the plants will also produce other rice-based foods such as rice bran oil and rice noodles, and the facilities will be powered by electricity from rice hulls. MAPCO is also planning a joint venture with Mitsubishi, another Japanese conglomerate, to mill japonica rice. According to FAO, Myanmar exported an estimated 600 000 tonnes of rice in 2012, and may export only

500 000 tonnes this year because of limited processing capacity and power shortages.

FAO's Rice Market Monitor said, however, that prospects for improved production are positive this year after a stagnant 2012. The Monitor expects Myanmar will produce 32.5 million tonnes (20.5 million tonnes on a milled basis) in 2013.

China wheat imports expected to rise

China's wheat imports are likely to rise because of damage to stocks caused by poor storage facilities, according to the South China Morning Post. "China's stocks were estimated to be enough to meet demand for six months, but substandard storage facilities have damaged part of the crop, some of which dates back to 2010," the paper said.

In April, this year when wheat prices were at their lowest point in nine months, Sinograin, a state firm charged with stockpiling, bought 1 million tonnes of US soft red winter wheat for the next marketing year. "We expect another 2-3 million tonnes of imports because authorities are very worried about the volume of deteriorating wheat among state stocks," Ma Wenfeng, an analyst with Beijing Orient Agri-business Consultant told the paper.

China has not imported a large volume of wheat since taking in about 10 million tonnes in 2004-5 because of a poor harvest. Since then, imports were sharply reduced. Last year the country took in 3.69 million tonnes of mostly feed-grade wheat, an eight-year high for wheat imports. Traders said that they did not expect China would buy as much wheat as during 2004, but that the country would make selective purchases when prices were favourable.

Russian grain exports rising

Russia's grain exports rose 57 percent in April compared to March, driven largely by a fall in domestic prices, according to its Ministry of Agriculture. The ministry's figures show deliveries increased to 322 000 metric tonnes in the first 17 days of April from 205 000 tonnes in the first 20 days of March. SovEcon, a respected research firm, reported that average milling-wheat prices

have been falling since the second week of February and reached US\$303 a tonne in April. Since October, the government has sold almost 3 million tonnes of cereals from its stockpiles with the aim of reducing prices, which climbed to record highs after a severe drought last year.

In related news, Egypt's Minister of Agriculture said that Russia will build eight grain silos in his country to store Russian grain for re-export to countries in Africa. "Egypt will be a market for Russian wheat, either for marketing in Egypt if it needs it, or for export to African states," Minister Salah Abdel Momen told the state news agency. He said the agreement was reached during a visit by Egyptian President Muhammad Morsi to Russia last month.

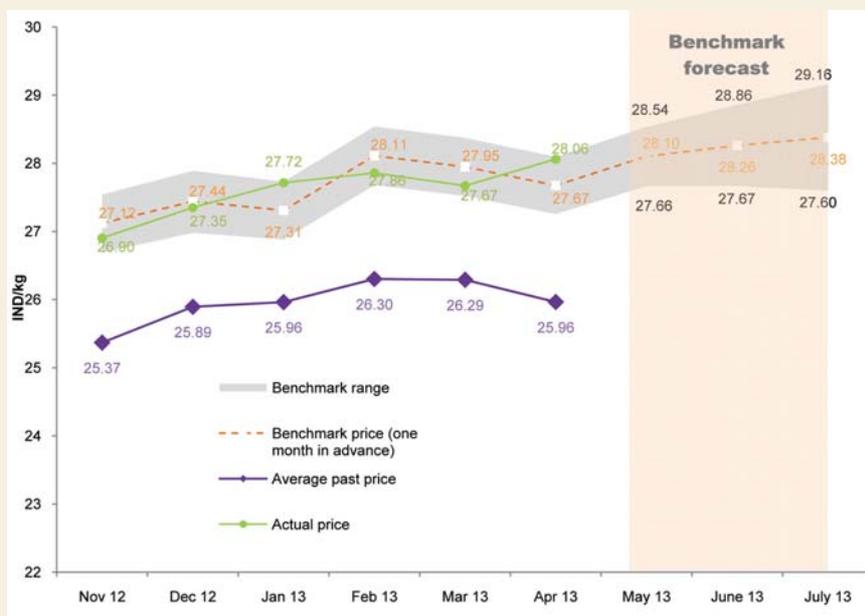
Philippines buys rice from Viet Nam

The Philippines has agreed to buy 187 000 tonnes of rice from Viet Nam, besting Thailand in a bidding process. The government-to-government tender was worth US\$89.97 million, according to the National Food Authority of the Philippines. The Authority said Vietnam's Southern Food Corp submitted a bid of US\$459.75 per metric tonne, which beat Thailand's offer of US\$568 per tonne. Under the terms of the agreement, the rice will be delivered on an as-needed basis, eliminating the Authority's exposure to losses due to short landing, spillages and demurrage.

The import would contribute to the country's buffer stocks for the lean months of July through September, and also be kept in reserve for use during natural or man-made calamities. The Philippines is striving to achieve self-sufficiency in rice by the end of 2013, and President Benigno Aquino has said his country may soon start exporting the grain. The WTO has allowed the Philippines to use a special treatment provision under the organization's trade rules to protect its rice industry by restricting imports, but is bound by its terms to import a minimum of 350 000 metric tonnes of rice a year to show that it allows market access. FAO's preliminary estimates are that the Philippines will produce 18.9 million tonnes (12.4 million tonnes, milled basis) in 2013 (July-June), which, if confirmed, would be 5 percent above the 2012 all time high.

In focus: Price Forecast for India (Retail prices for rice, national average*)

Retail prices for rice in India were observed at INR (Indian Rupees) 28.06 per kilo in April 2013 – representing an increase of 1.4 percent from the previous month and 19.2 percent from the previous year. From November 2012 to April 2013, actual prices have remained inside the benchmark band with an average one percent difference from the benchmark price (1 month in advance). While actual retail prices for rice have been in line with the previous benchmark forecasts, they have also remained consistently above the average past price** since May 2012 by a margin of 1.14 to 2.10 INR per kilo.



Moving forward, the benchmark future price for May 2013 is forecast at INR 28.10 per kilo (within a benchmark band of INR 27.66-28.54 per kilo) indicating a slight increase of 0.1 percent from April 2013 or 14.6 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice in India are likely to increase gradually within a benchmark band of INR 27.60-29.16 per kilo.

While retail prices for rice are expected to maintain relatively stable in the short run when compared with the Asian region, the Government of India has announced as of April 1 that rice stocks have reached a historical high of 35.46 million tonnes – representing an increase of 6 percent from the previous year. This will be further supported in the near term by higher production estimates for the 2012-13 crop year (Jun-May) which is expected to reach 104.22 million tonnes – an increase of 2 percent from previous estimates in Feb 2013***. Despite higher yield outputs, the full effect on domestic market prices may be ambiguous in the short term as the demand for domestic rice consumption is expected to rise to 110 million tonnes by the end of the 12th Five Year Plan (2012-17) – exceeding rice production estimates by 4-12 million tonnes****.

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

**Average past price is an average of monthly prices over the last four years.

*** <http://oryza.com/content/india-government-increases-2012-13-rice-production-estimate-1042-million-tons>.

**** <http://oryza.com/content/india-government-rice-stocks-reach-record-3546-million-tons-nation-faces-unprecedented>.

Technical notes

The ESA 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 band. 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/>.

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 listserv@listserv.fao.org, leave the subject blank and type subscribe Food-Asia-L

Disclaimer and Acknowledgements

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.