



HIGHLIGHTS

- Regional inflation has slowed in recent months in part because energy and crude oil prices have fallen on oversupply.
- Early estimates indicate Typhoon Hagupit has caused US\$ 224 million in crop losses in the Philippines.
- In Sri Lanka, rice prices were 32.2 percent higher than one year ago because drought at the start of the cropping season reduced production by 29 percent.
- Pakistan approved a subsidy for basmati rice farmers to offset recent price declines.
- Thailand approved a programme to encourage rice farmers to delay sales of about 2 million tonnes from the upcoming harvest.
- The WTO Trade Facilitation Agreement was signed following a decision to allow India to continue stockholding grains for the poor under its food security programme.

REGIONAL OVERVIEW

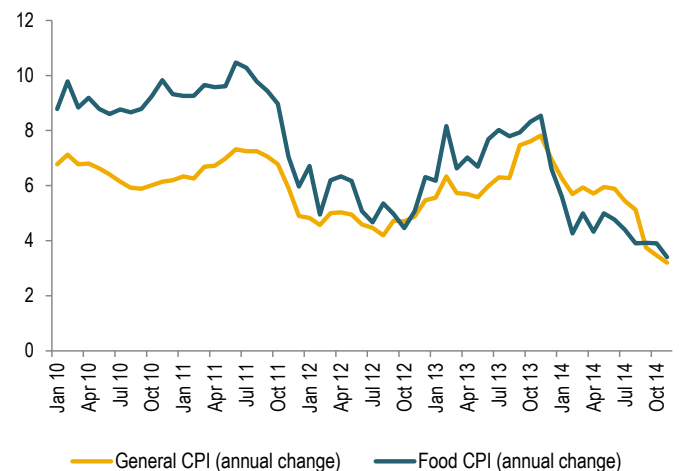
FOOD AND REGIONAL INFLATION

Regional inflation slowed in November to 3.2 percent from 3.5 percent in October. Food price inflation also eased to 3.4 percent from 3.9 percent over the same period. Weakening regional inflation in recent months has been linked with falling crude oil prices, which have dropped because of oversupply in global markets.

Around the region, food prices fell in China by 0.4 percent during November, led by a 1.6 percent decrease in fresh vegetable prices, and a 1.3 percent decline in pork prices. Non-food prices were down 0.1 percent, on a 0.7 percent fall in transportation and communication prices. In Pakistan, the Consumer Price Index inched downward by 0.5 percent from October, but was 4 percent higher than one year ago. Prices were cheaper for transport services (down 11 percent), motor fuel (down 6.1 percent), and kerosene oil (down 5.3 percent). A fall in prices for food items was led by tomatoes, onions and potatoes, down 29.1 percent, 18.8 percent, and 7.6 percent, respectively. General inflation in the Philippines was stable while transport costs fell 0.5 percent due to a series of price rollbacks in gasoline and diesel nationwide. Food prices fell slightly, with rice down 0.2 percent and prices for meat also falling.

Conversely, food prices in Indonesia rose by 2.2 percent on higher prices for red chili, rice, and fresh vegetables. But prices fell for chicken meat and fresh fish. Thailand's food prices rose just 0.2 percent, mainly as a result of higher prices of fresh vegetables, which rose 4.9 percent over the

Food and general inflation (%)



Source: FAOSTAT, World Bank, and government statistics.

Note: The consumer price index (CPI) measures changes in the consumer basket of goods and services purchased by households. Regional estimates for the CPI are aggregated by a weighted geometric average of each respective national CPI and its corresponding regional GDP share (deflated by purchasing power parity estimates) as its weight. The regional index includes contributions from ten countries, comprising: Bangladesh, China, India, Indonesia, Pakistan, Philippines, Samoa, Sri Lanka, Thailand, and Viet Nam.

Note: Prices in US dollars (US\$) are converted from local currencies using the average exchange rate for the corresponding month of publication supplied by the IMF International Financial Statistics.

previous month. Prices for pork and fresh fruits, however, declined. Prices for non-food items dropped by only 0.3 percent, despite a sharper fall in fuel prices. In Sri Lanka, prices rose for rice, coconut, coconut oil, most varieties of vegetables, and in particular potatoes, red onions, sugar limes and green chili. Prices for these commodities increased significantly on less supply.

FOOD PRICES

Globally, prices for both wheat and Thai rice continued to slide in November, as wheat prices fell 2.5 percent and prices for the benchmark Thai 100% B grade 2 white rice were down 2.4 percent. Compared to the previous year, wheat was 12.3 percent cheaper and rice 5.4 percent less expensive in nominal terms.

Maize prices, meanwhile, rose by 8.8 percent after six consecutive months of declines. Colder conditions in the United States made it difficult to harvest and distribute the crop. The United States Department of Agriculture (USDA) has revised its 2014/15 maize crop forecast downward by 68 million bushels, but still expects a record harvest of 14.4 billion bushels.

The **regional rice price index**, in nominal terms, declined 0.4 percent in November but was up 3.2 percent year on year. Adjusting for inflation, the real price of rice in the region was 0.2 percent lower than the previous month, and just 0.4 percent lower than last year. Short-term changes in the nominal price of rice were mixed but generally stable throughout the region with East Asia increasing by 0.1 percent, Southeast Asia decreasing by 0.6 percent, South Asia increasing by 0.2 percent, and India down by 0.9 percent.

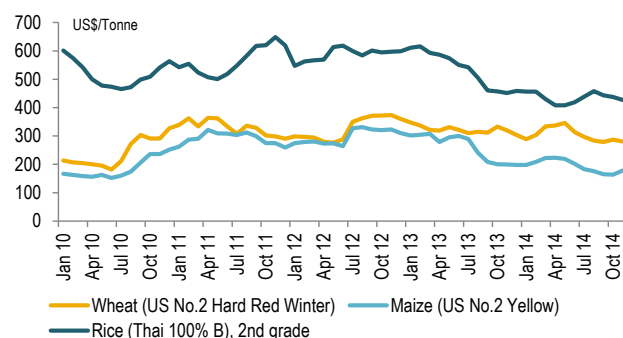
Year on year, nominal prices rose by 4.8 percent in South Asia, 4.4 percent in Southeast Asia, 4.1 percent in East Asia, and 1.1 percent in India. These movements were significant in real terms in East Asia and India where rice prices rose by 2.7 percent and fell 4.5 percent, respectively. Real prices in Southeast Asia and South Asia fell by 1 percent and 0.3 percent, respectively, year on year.

The **regional wheat price index** rose by 0.7 percent in nominal terms during November. Increases were most pronounced in India and South Asia, up a respective 1.4 percent and 1.1 percent. The nominal price of wheat in East Asia was unchanged, while prices in Southeast Asia edged up by 0.8 percent. Adjusting for inflation, wheat prices in the region fell an average of 1.7 percent year on year. Trends in the region were mixed with increases of 2.6 percent in Southeast Asia, a rise of 0.1 percent in East Asia, but decreases of 4.3 percent in South Asia, and 4 percent in India.

Note: The regional price indices are aggregated using weights defined by the national Food Balance Sheet (FAOSTAT). Weights are defined as the availability of rice and wheat for domestic consumption for each respective index. Sub-regional groupings in the rice index are Cambodia, Indonesia, Lao PDR, Myanmar, the Philippines, Thailand and Viet Nam for Southeast Asia; Bangladesh, Nepal, Pakistan, and Sri Lanka for South Asia; China and Mongolia for East Asia.

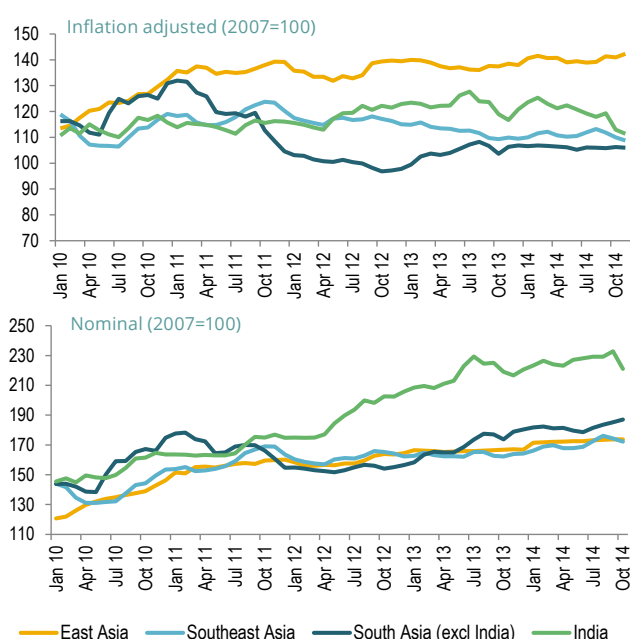
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia for the wheat index.

Global benchmark prices

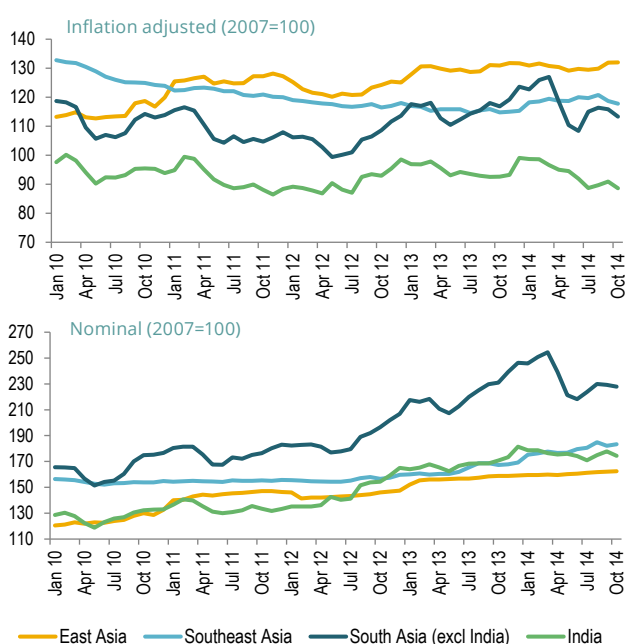


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



Source: FAO GIEWS, national government and IMF International Financial Statistics

COUNTRY OVERVIEW

FOOD PRICES

In **Bangladesh** (Dhaka markets), retail prices of cereals commodities were stable. Wheat prices increased 0.7 percent and *atta* (wheat flour) 3.6 percent from the previous month. Wheat flour prices were down 2.9 percent year on year, but wheat was 0.9 higher. Wheat imports are forecast to increase by 4 percent to 2.8 million tonnes this year, based on expectations that the Government will continue to replenish stocks for its food distribution programmes, taking advantage of low international prices.

Retail prices for coarse rice were unchanged from the previous month, but 1.1 percent higher than last year. To incentivize paddy production the government increased the procurement price for the April to December crop to BDT 32 (US\$ 0.41) per kilogram from BDT 30 (US\$ 0.39) per kilogram. The procurement target for this season is 300 000 tonnes.

Bangladesh has recently signed a government-to-government deal with Sri Lanka to export 50 000 tonnes of non-fragrant rice, after amending a regulation that banned exports of non-fragrant rice until June 2015. The Ministry of Food confirmed that the country has enough reserves to meet its consumption needs, as rice stocks, as of 27 November, were at about 1.1 million tonnes, up about 65 percent from last year. National production has increased by 2 percent to 34.4 million tonnes in 2013/2014. Rice imports are expected to decrease to 400 000 tonnes in 2015 from 600 000 tonnes in 2014.

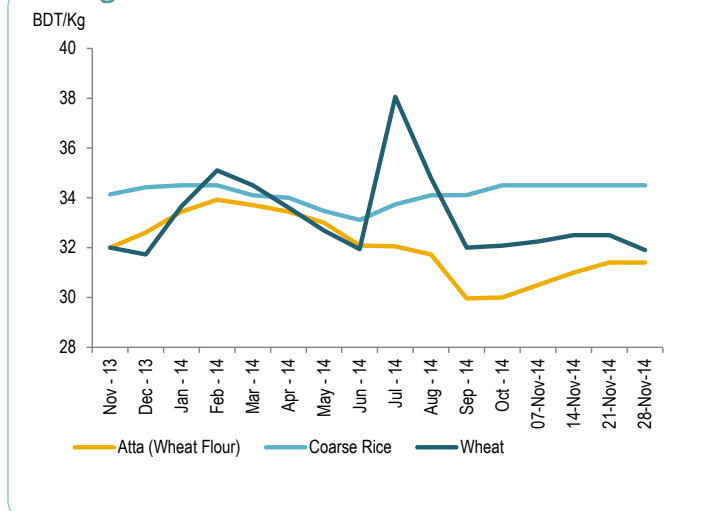
In **Cambodia** (Phnom Penh markets), retail prices were unchanged for milled rice (Phkar Khney), rice (Neangminh), and mixed rice during November and throughout the year. Rice exports are expected to decline by 9 percent to 1 million tonnes compared to last year's high level, on expectations of reduced trade with Thailand and Viet Nam.

Retail prices for meat commodities - chicken, pork, and live fish - all declined in November. Chicken and pork fell 2.2 percent, and live fish fell 7.1 percent. Pork is a large part of the national diet. Local suppliers continue to struggle in meeting the demand and rely on surplus production from Thailand and Viet Nam. This exposes local markets to price volatility, especially in areas with poor infrastructure that lack access to larger markets.

In **China** (average of 50 cities), retail prices for grains and related commodities remained stable in November. Prices for both Japonica rice and standard wheat flour were just 0.2 percent higher than the previous month, but 4.2 percent and 2.3 percent higher, respectively, than the previous year.

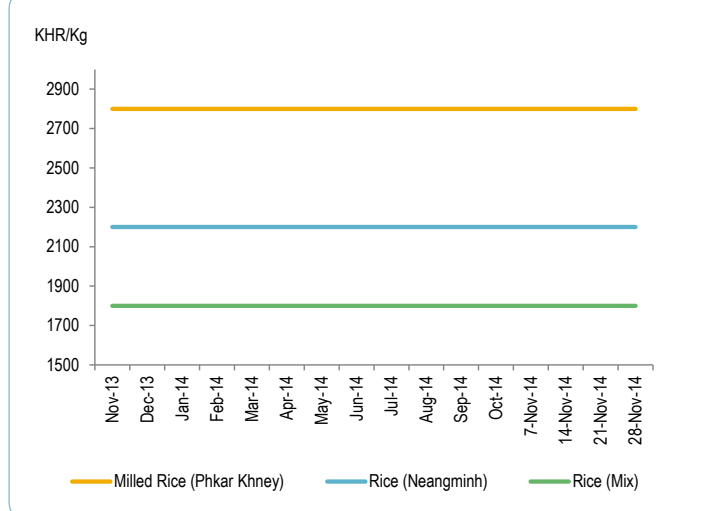
China's cereals output is expected to reach a record level this year. The China National Grain and Oils Information Centre forecasts this year's aggregate rice harvest at 205 million tonnes, because of a small expansion in area planted and public support measures, including subsidies and higher minimum purchase prices. The government recently decided to extend its preferential tax policy on agriculture financing to encourage banks and insurers to provide financial services to farmers. The policy provides tax

Bangladesh



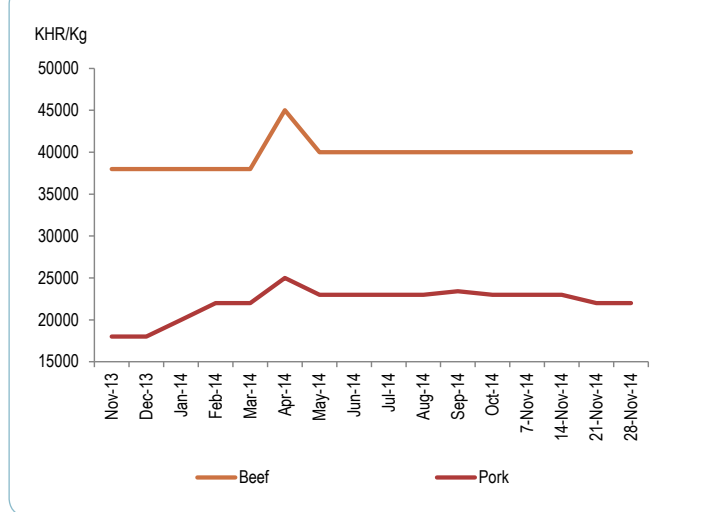
Source: National Food Policy Capacity Strengthening Programme, 2014

Cambodia



Source: Cambodia, Ministry of Agriculture Forestry Fisheries, 2014

Cambodia



Source: Cambodia, Ministry of Agriculture Forestry Fisheries, 2014

exemptions on bank's interest revenues from small loans (between CNY 50 000 to 100 000 [US\$ 8 078 – 16 155]) and discounts on tax payable on insurers' premium revenues.

Retail prices for pork (rump) also fell by 1 percent in November and 6 percent since last year. Lower energy costs have been cited as a partial cause of falling price trends for many staple commodities, especially meat, which can be more energy intensive.

Fresh vegetables prices rose over the past month, however, with large increases in prices for cucumbers, tomatoes and potatoes, which rose 18.1 percent, 4 percent and 4 percent, respectively. Nonetheless, they were still lower than last year by 1 percent, 32.8 percent and 8.8 percent, respectively.

In the **Philippines**, a series of natural disasters, most significantly Typhoon Haiyan in November 2013, has caused widespread damage across the country and affected millions of people. Typhoon Hagupit is the latest to hit the Philippines this year with early estimates indicating a loss of over PHP 1 billion (US\$ 224 million) in agricultural crops, especially on the Pacific coast where the typhoon broke land. The damage was estimated to be lower than usual as some farmers were alerted in time to prepare and harvest early.

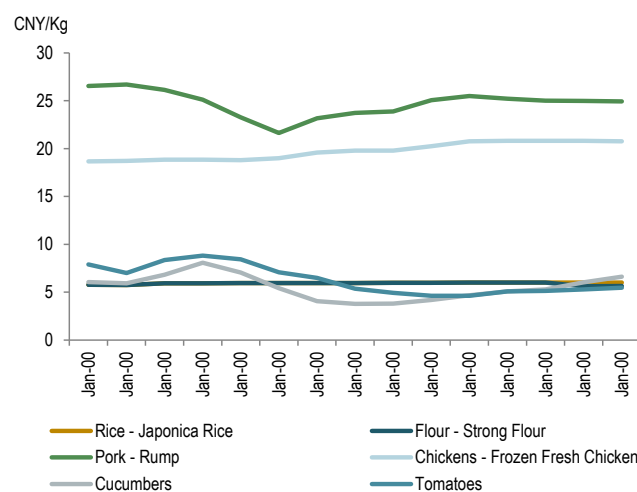
The Philippines Department of Agriculture had revised its goal (pre-Typhoon Hagupit) for the 2014 paddy harvest down from 19.07 million tonnes to 18.9 million tonnes, still above last year's record of 18.4 million tonnes. Despite that, the National Food Authority has stated that it will continue to import rice in 2015, starting with an initial 600 000 tonnes to boost its buffer stocks. The price of rice in the country has remained stable since March, but was still higher year on year by 9.5 percent to 14.3 percent, depending on the variety.

Trends in fruits and vegetables prices have been mixed over the past month. Cabbage prices were 24.3 percent higher, carrots 14.6 percent higher, while prices of white potato fell 11.1 percent. Prices for tomatoes and red onions were stable in November, although tomato prices were 20.4 percent higher than last year and red onion prices 22.6 percent lower.

In **Sri Lanka** (Colombo markets), prices of rice and wheat flour were stable in November. Year on year, rice prices were 32.2 percent higher, as the 2014 second rice harvest was officially estimated to be 30 percent below last year's record level of 1.2 million tonnes. The sharp reduction is the result of a 29 percent contraction in area planted, following a prolonged period of dry weather at the start of the cropping season. As a consequence, the country had to import as much as 200 000 tonnes of rice this year. Imports of wheat, which is not produced domestically, are forecast to remain around last year's level of 1.1 million tonnes.

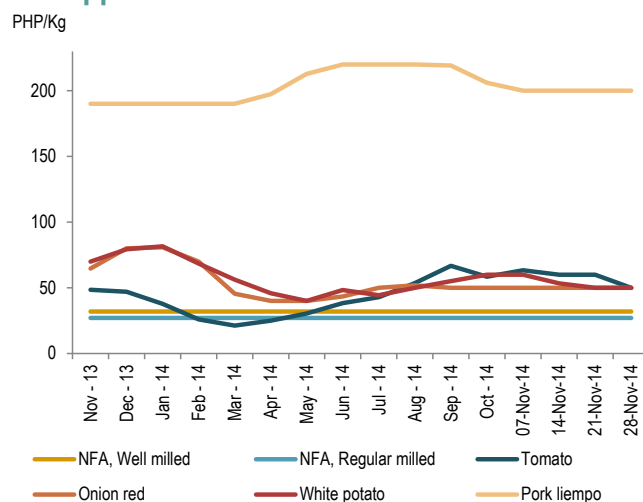
Prices of selected vegetable continue to be volatile with tomato and potato prices increasing by 64.5 percent and 7.5 percent, respectively, from October. This large increase in the price of tomato, along with other vegetable commodities (green chilies, potatoes, red onions), has been attributed to seasonal factors and adverse weather conditions.

China



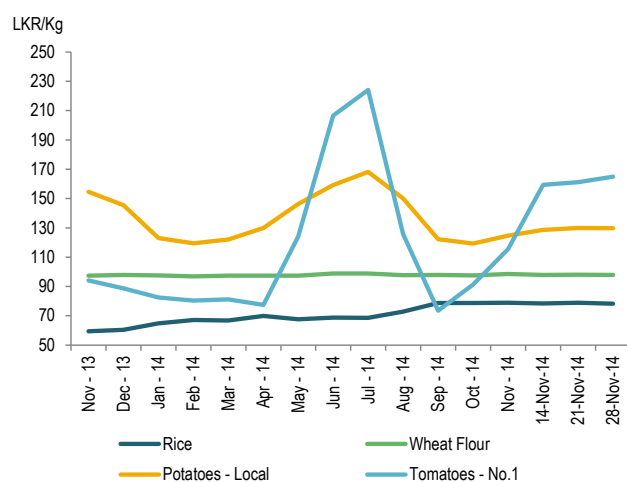
Source: National Bureau of Statistics of China, 2014

Philippines



Source: Philippines Bureau of Agricultural Statistics, 2014

Sri Lanka



Source: Department of Census and Statistics Sri Lanka, 2014

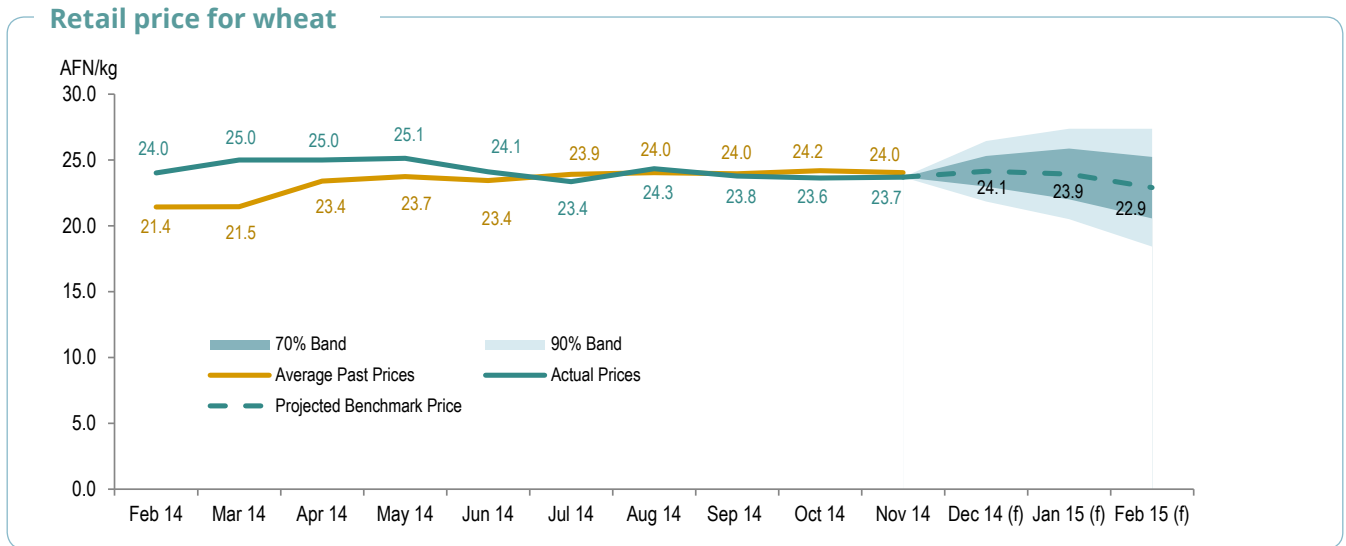
Note: Month-on-month changes are calculated as the price average of the current publication month from the price average of the previous month. Year-on-year changes are likewise reported as the price average of the current publication month from the price average of the same month in the previous year.

PRICE FORECAST

Afghanistan (retail wheat)

Retail prices for wheat in Afghanistan were AFN 23.7 (US\$ 0.41) per kg in November, an increase of 0.2 percent from the previous month and an increase of 7.7 percent from November last year. The benchmark future price for December is forecast to be AFN 24.1 (US\$ 0.42) per kg (within a 70% benchmark band of AFN 23 – 25.3 [US\$ 0.39 –

0.44] per kg) a slight increase of 1.9 percent from November 2014, and an increase of 9.7 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for wheat are likely to increase gradually within a benchmark band of AFN 20.6 – 25.2 (US\$ 0.36 – 0.44) per kg.

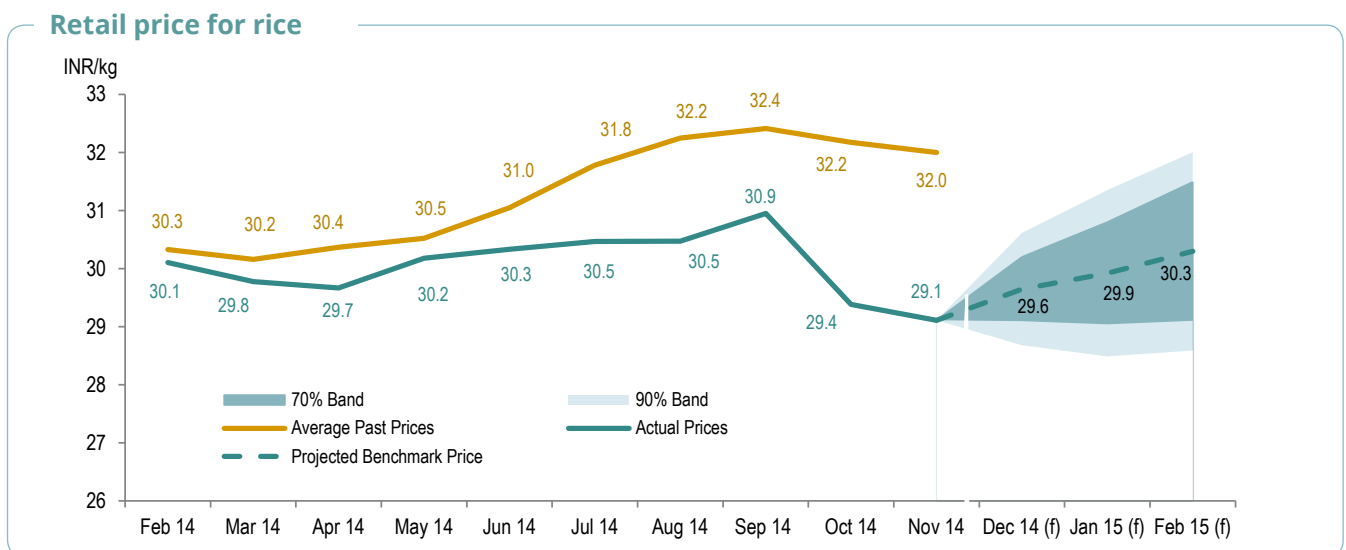


Source: FAO GIEWS and FAO staff calculations.

India (retail rice)

Retail prices for rice in India were INR 29.1 (US\$ 0.46) per kg in November, a decrease of 0.9 percent from the previous month and an increase of 1.1 percent from November last year. The benchmark future price for December is forecast to be INR 29.6 (US\$ 0.47) per kg (within a 70% benchmark band of INR 29.1 – 30.2 [US\$ 0.46 – 0.48] per kg) a slight increase

of 1.8 percent from November 2014, and an increase of 1.1 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to increase gradually within a benchmark band of INR 29.1 – 31.5 (US\$ 0.46 – 0.50) per kg.



Source: FAO GIEWS and FAO staff calculations.

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/>.

NATIONAL POLICY DEVELOPMENTS

Production and market oriented policies

Cambodia will build new rice silos with a US\$ 300 million loan from China. The funds will be used for 10 new warehouses to store around 1 million tonnes of paddy both for domestic use and export in order to limit the outflow of stocks at low prices to buyers. Limited storage facilities reduce farmers' incentives to expand production and constrain the country's potential for increasing rice exports.

The Union Cabinet of **India** has amended the Regional Rural Banks (RRBs) Act of 1976 to strengthen RRBs' capital base and ensure their financial stability. This should enable rural banks to be more inclusive in providing credit and funds to those in rural areas and the farming sector.

In anticipation of reduced production caused by a delayed planting season, **Indonesia** will provide farmers with 25 000 tonnes of subsidised seeds and enough fertiliser for 1 million hectares. The government is aiming for 2015 paddy production of 73.4 million tonnes, a 4 percent increase year-on-year, of which 3.2 million tonnes will be procured by the government's state trading enterprise Bulog to boost reserves. As a longer-term measure, the government stated that IDR 8.2 trillion (US\$ 661 million) had been allocated for the development of 11 dams, and it plans to rehabilitate 1 million hectares of irrigation channels.

The **Iraq** Government has decided to buy rice from local farmers at above-market prices during the 2014 - 15 seasons. Procurement prices will be around IQD 700 000 (US\$ 606) per tonne of Jasmine rice and at around IQD 900 000 (US\$ 779) per tonne for the *Anber* variety.

On 20 November, the Economic Coordination Committee of **Pakistan** approved a subsidy scheme to provide payments of PKR 5 000 per acre (US\$ 122 per ha) to basmati rice farmers with up to 25 acres (about 10 ha) of land. The measure comes after recent steep declines in basmati prices owing to ample supplies and weak international demand.

To support small fishers, the **Philippines** Department of Agriculture has launched the "Targeted Actions to Reduce Poverty and Generate Economic Transformation in the Fishery Sector" (TARGET) programme. The initiative is expected to increase incomes of the poorest fishermen by 4 percent through livelihood interventions. The programme will also focus on resource management and protection, resource enhancement, and post-harvest and marketing support to fishery communities.

Sri Lanka's Government has launched a programme to purchase the entire harvest of big onion from farmers in Matale District, where about 50 percent of the national onion crop is cultivated, at a guaranteed price of LKR 90 (US\$ 0.69) to ensure farmers remunerative prices and encourage onion cultivation.

On 25 November, the Government of **Thailand** approved a programme to support rice prices and farmers' incomes by encouraging them to delay sales of about 2 million tonnes from the upcoming harvest. The Bank for Agriculture and Agricultural Cooperative (BAAC) will provide interest-free loans to farmers to refrain from selling, and will also pay about THB 1 000 (US\$ 30) per tonne to ensure the rice is kept in good condition. Under the programme, loans to farmers will be provided for up to 90 percent of a target price, set at THB 16 000 (US\$ 488) per tonne for unmilled jasmine rice, and THB 13 000 (US\$ 397) per tonne for glutinous rice. After holding the loan for four months, farmers will be allowed to repay the loan, interest free, if the market price for rice exceeds the loaned amount. However, if the market price of rice falls below the target price, the Government will agree to purchase the rice at the loaned amount. The programme will cost approximately THB 25.7 billion (US\$ 785 million) and will last until February 2015.

Trade policies

On 17 November 2014, **China** and Australia concluded negotiations for a Free Trade Agreement (ChAFTA) covering agriculture. Under the agreement, China will eliminate the 3 percent import tariff on barley imports and the 2 percent tariff on sorghum and millet. Tariffs on malt, wheat gluten and pulses are scheduled to be phased out in four years.

The Government of **Pakistan** has increased the tariff on sugar imports from zero to 20 percent and authorized an export quota of 500 000 tonnes for the purpose of protecting domestic millers from sugar imports while allowing the export of existing sugar stocks.

Thailand will sign a government-to-government deal with China to sell two million tonnes of rice and 200 000 tonnes of rubber to be delivered between 2015 and 2016. The agreement is part of the Thai government's strategy to ensure the sale of its abundant rice reserves (about 18 - 19 million tonnes) accumulated during the rice-pledging programme.

Because of declining demand, the **Viet Nam** Food Association has lowered the minimum export price for 25% broken rice to around US\$ 380 per tonne, down about 7 percent. The USDA expects Viet Nam's rice exports during the MY 2013/2014 to remain at 6.5 million tonnes because of expected strong competition from Thailand, India, Pakistan and other new exporters such as Cambodia and Myanmar.

Consumer oriented policies

The Government of **Indonesia** raised the price of subsidised petrol by nearly 30 percent on 16 November, with the aim of containing expenditures on the country's decades-old fuel subsidies scheme, which will cost about IDR 250 trillion (US\$ 20.1 billion) this year. The government assured the public that it will counter any potential negative effects by ensuring adequate food supplies and distribution, and controlling possible rises in transportation costs.

Sources of policy information: Ministry of Food and Oryza (Bangladesh), Live Rice Index (Cambodia); Ministry of Agriculture (China), Press Bureau of India (India), IGC and Oryza (Indonesia), Oryza (Iraq), Ministry of Finance and Oryza (Pakistan), Department of Agriculture (Philippines); PresInform (Sri Lanka); National News Bureau, Thai News Agency and USDA (Thailand), Oryza (Viet Nam). Policy developments for the Asia-Pacific region are collected by FAO - Food and Agriculture Policy Decisions Analysis (FAPDA). Detailed and additional information is available in the FAPDA Tool: <http://www.fao.org/economic/fapda/tool/Main.html>.

OTHER UPDATES

WTO Trade Facilitation Agreement signed

India and the United States resolved a dispute that had been threatening the implementation of the Trade Facilitation Agreement (TFA) designed to remove red tape and simplify global trade. The TFA was considered as a critical step in moving forward the long-stalled Doha Round of World Trade Organization (WTO) negotiations. The inability to reach consensus before its July 31 deadline had previously been a major setback to the WTO system.

The disagreement centered on India's food security programme in which the government buys grains from farmers at above market prices then stockpiles or sells them to poor households at subsidized prices. Some developed nations, including the United States, regard stockpiling as a form of trade distortion. Food security programmes are covered by a "peace clause" in which countries agreed to refrain from making challenges until 2017.

The implementation of TFA was approved at a special meeting of the WTO General Council in November, in which the Council agreed to a "permanent peace clause." Unlike the temporary reprieve under the current "peace clause", the permanent clause will shield India and other developing countries that stockpile food from challenges from other WTO members indefinitely. India was granted the freedom to offer subsidies to its farmers without limit. The current cap, according to WTO rules, is 10 percent of the total production of the crops that are covered under the food stockholding programme. The clause, however, only covers existing programmes. Any new programmes have to follow WTO's 10 percent threshold.

The TFA will be open for ratification by all WTO member countries for its implementation next year.

Indonesia sets comprehensive maritime doctrine

Indonesia's new President Joko Widodo has outlined a new maritime doctrine that covers trade, infrastructure and security, and proposes that Indonesia will help protect the natural resources of the Pacific and Indian Oceans.

The doctrine's five main pillars focus on: (1) Rebuilding Indonesia's maritime culture; (2) Maintaining and managing marine resources; (3) Prioritizing the development of maritime infrastructure and connectivity; (4) Practicing maritime diplomacy; and (5) Developing maritime defense and security.

Indonesia's marine resources are a crucial source of livelihoods. Fisheries, aquaculture, sea transport, energy and mineral resources, marine tourism and other maritime industries and services contributed about 30 percent to the country's GDP in 2011, and employed more than 20 million people. Indonesia is the world's top producer of tuna and seaweed.

Indonesia's coastline is the second longest in the world at 54 716 kilometers, and home to the world's largest mangrove forests and seagrass meadows, both of which are important carbon sinks. Mangroves have carbon sink capacity six times greater, and seagrass double that of pristine Amazon rainforest. But environmentalists say that the world's coastal habitats are declining faster than its rainforests, with 71 percent of Indonesia's mangrove forests damaged by unsustainable urban, agricultural and aquaculture development. About 30 percent of the world's illegal fishing is estimated to take place in Indonesian waters, and unsustainable fishing practices such as bombing and cyanide poisoning are common. This further accelerates the depletion of fish stocks, threatening the sustainability of fish populations and global food security. The new doctrine aims to reverse those trends.

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I hope this monthly report is useful and meets your expectations.

Hiroyuki Konuma

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