



HIGHLIGHTS

- General inflation in the region was estimated at 2.3 percent, and food price inflation at 2.6 percent in November compared to one year ago.
- In China, prices for fresh vegetables rose as unusually cold weather in November hampered transport and disrupted supplies to markets.
- In Indonesia, drought conditions linked to El Niño over large parts of the country resulted in major delays in planting of the main season crops.
- The Philippines approved US\$ 404.1 million in spending to counter the effects of El Niño.
- Mongolia released its State Policy on Food and Agriculture 2016 - 2025, emphasizing a shift to sustainable livestock practices and the expansion of arable land for crops.
- India pledged to restore 13 million hectares of degraded forestland, in an announcement on the sidelines of the COP21 United Nations Climate Summit in Paris in December.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

General inflation in the region was estimated at 2.3 percent, and food price inflation at 2.6 percent in November compared to one year ago.

In November, general inflation in Bangladesh declined by 0.1 percent and food inflation by 0.4 percent. In China, consumer and food prices remained unchanged from the previous month. Price increases for fresh fruits and vegetables were offset by price declines for meat, poultry and eggs.

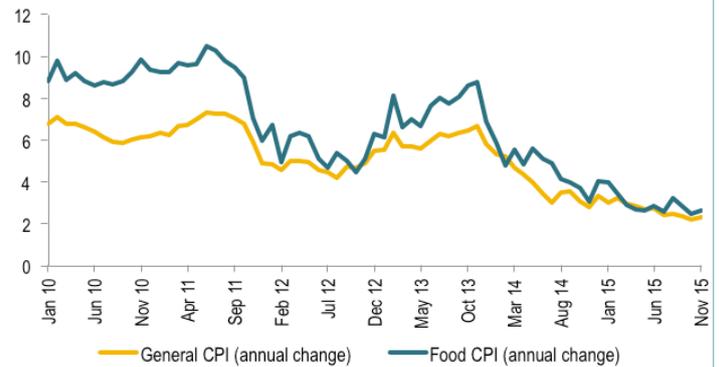
In India¹, general inflation was up 0.6 percent, and food prices rose 0.4 percent on more expensive pulses and spices.

In Indonesia, general inflation was up 0.2 percent, and food prices increased 0.3 percent on rising prices for rice and chicken meat. In Pakistan, general and food price inflation rose 0.5 percent and 0.4 percent, respectively, as prices for chicken, tomatoes, onions and potatoes increased. In the Philippines, general and food price inflation inched up by 0.5 percent and 1 percent, respectively.

Samoa's general inflation increased by 0.5 percent, and food prices rose 1.6 percent, driven by higher prices for taro, ta'amu, and fresh fish. Sri Lanka's general inflation was up 1.4 percent and food price inflation increased 3 percent on price increases for vegetables and green chillies.

In Thailand, general and food price inflation were down 0.3 percent and 0.6 percent, respectively. Viet Nam's general inflation rose by 0.7 percent, and food prices increased by less than 0.1 percent.

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.

¹These figures are reported by the Ministry of Statistics and Programme Implementation. Regional price indices use the agricultural laborers series from the Labour Bureau as our source for the CPI figures in India.

FOOD PRICES

The FAO Food Price Index dropped 1.6 percent in November compared to October, reaching an average of 156.7 points on declines for all commodities except sugar.

Maize prices were 3.5 percent lower in November on large supplies in the United States, and were 6.7 percent lower than one year ago. After reaching a five-year low in September, wheat prices continued to drop in November, falling 4.4 percent, and were 24.7 percent lower year on year. Thai rice prices (white 100% grade B) rose 0.8 percent, but were 11.1 percent lower than a year ago.

The **regional rice price index** rose 0.2 percent in nominal terms in November and was 0.8 percent higher than one year ago. The real price of rice was unchanged from last month, but 2.5 percent lower than one year ago. On a monthly basis, the nominal price of rice rose 0.8 percent in India, and 0.1 percent in Southeast Asia, while dropping 1.1 percent in South Asia. In East Asia, nominal rice prices remained unchanged. Month on month, real rice prices dropped in South Asia and Southeast Asia by 1.4 percent and 0.2 percent, respectively, but increased 0.5 percent in India. Real rice prices in East Asia remained unchanged.

Year on year, nominal prices fell 12.4 percent in South Asia and 2.2 percent in India, but rose by 8.6 percent in Southeast Asia and 2.8 percent in East Asia. Real prices dropped 17.9 percent in South Asia, and 6.1 percent in India. In Southeast Asia, year-on-year real prices increased 2.8 percent, and 0.2 percent in East Asia.

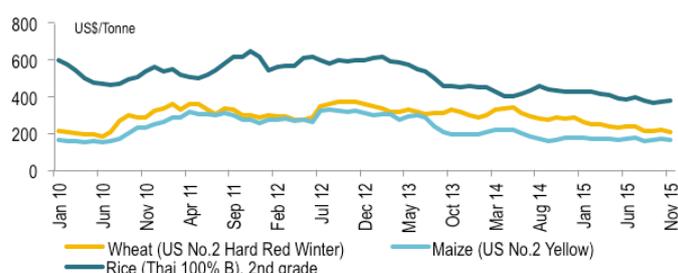
The **regional wheat price index** was 1.1 percent higher than in October in nominal terms, and 2.9 percent higher than a year ago. Month on month, nominal prices increased 2.1 percent in India, and 1.7 percent in South Asia, followed by 0.2 percent rise both in East Asia and Southeast Asia. Year on year, nominal prices were up 4.4 percent in East Asia and 4 percent in India, followed by a 2.4 percent increase in Southeast Asia. Conversely, nominal wheat prices in South Asia dropped by 2.4 percent.

Real wheat prices in the region increased by 0.6 percent during November, but were 0.7 percent lower than one year ago. Compared to one month ago, real prices were up 1.4 percent in India, 0.7 percent in South Asia, and remained unchanged in East Asia. Month-on-month real prices in Southeast Asia were unchanged. Year-on-year real price movements were mixed around the region, with a decline of 5.8 percent in Southeast Asia and 2 percent in South Asia. Prices fell 0.8 percent in India, but were unchanged in East Asia.

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. Prices for India represent an average of 4 markets in Chennai, Delhi, Mumbai and Patna.

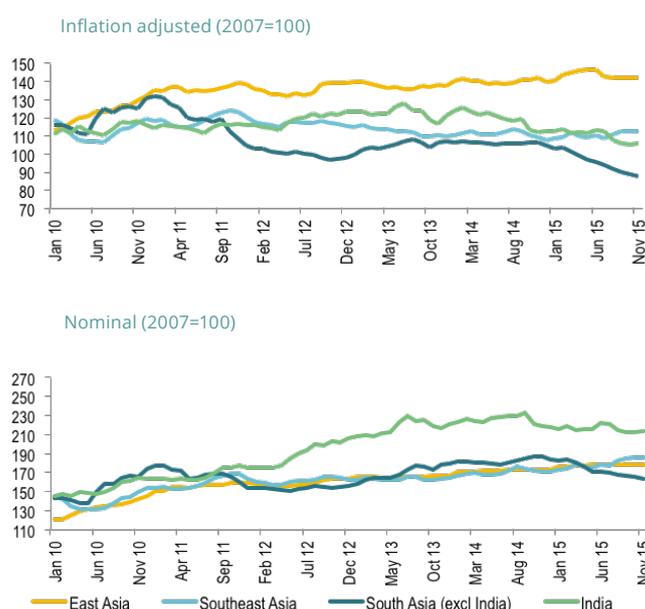
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia for the wheat index. Prices for India represent an average of 4 markets in Chennai, Delhi, Mumbai and Patna.

Global benchmark prices

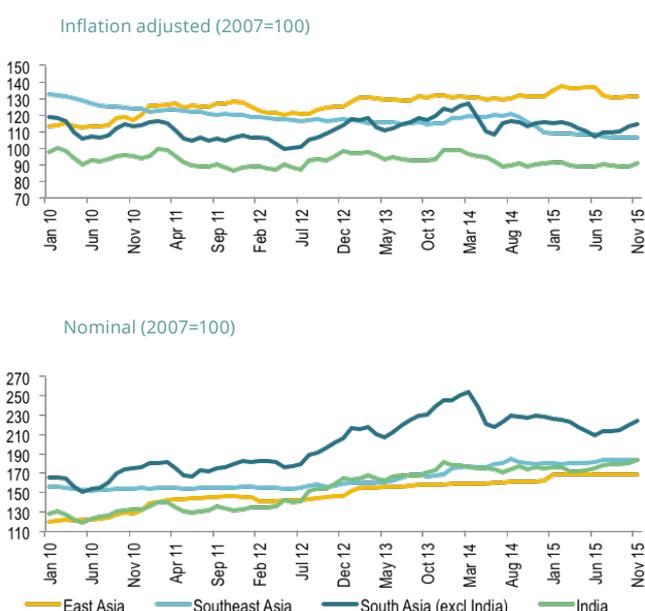


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **China** (average 50 markets), prices for rice and wheat flour (not shown in graph) were unchanged from last month.

A falling trend in vegetable prices due to ample supplies ended in November as unusually cold weather hampered transport and disrupted supplies to markets, pushing prices for fresh vegetables up. Cucumber prices increased by 41 percent and kidney bean prices rose 18.5 percent. They were also 11.4 percent and 8.1 percent higher, respectively, than one year ago. However, towards mid-November, normal temperatures returned, helping bring some prices down, particularly for Chinese cabbage, which was 11.2 percent lower than last month but, 3.8 percent higher than a year ago.

Year-on-year, prices for tomatoes and rapes were 34.4 percent and 12.7 percent higher, respectively. Pork belly prices also rose 16.3 percent. In contrast, annual prices for bananas and eggs were 33.3 percent and 18.5 percent lower, respectively.

In **Indonesia** (national average), prices for rice in November were 1 percent higher than October, and 16.2 percent higher than a year ago. Prices for wheat were 0.7 percent higher than last month, and 1.9 percent higher than last year.

Year on year, prices for sugar and onion increased by 11.6 percent and 11.1 percent, respectively. However, prices for red chillies dropped by 50 percent over the same period.

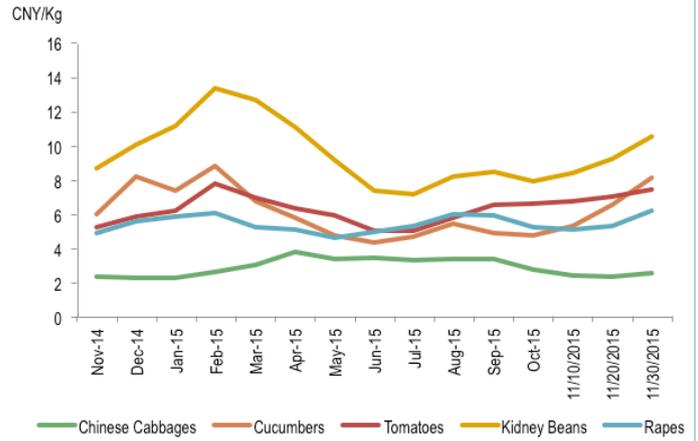
Drought conditions linked to El Niño over large parts of Indonesia resulted in major delays in planting of the main season crops. This will delay harvests and lead to much lower than usual production levels of rice and maize in February and March 2016, putting further pressure on already rising rice prices. The peak of the rice harvest is now expected to be April, rather than February/March.

Since August 2015, average national prices for medium-quality rice have risen by 5.2 percent, and the consumer price was at a record high in December, at IDR 10 673 (US\$ 0.78) per kilo. The greater than normal increase in prices during the past few months confirms expectations that supplies would be short, largely because of impact of the El Niño.

In this context, the Government authorized additional rice imports in the current quarter through government-to-government purchases. Recent media reports indicate that imports would amount to 1 million tones from Viet Nam and 500 000 tones from Thailand. Moreover, Indonesia is negotiating rice imports from India and Pakistan. Quantity, price and timing of these imports have not yet been determined.

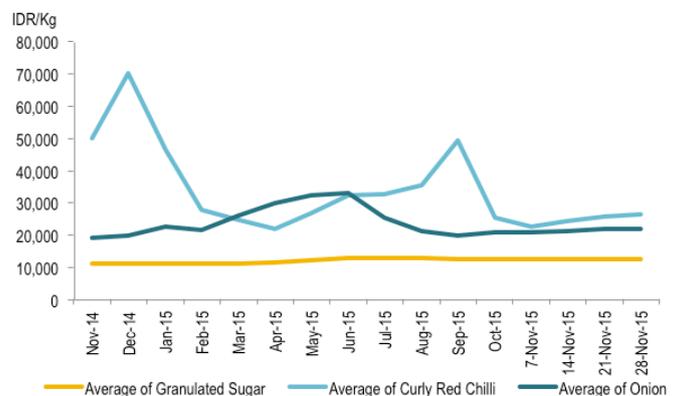
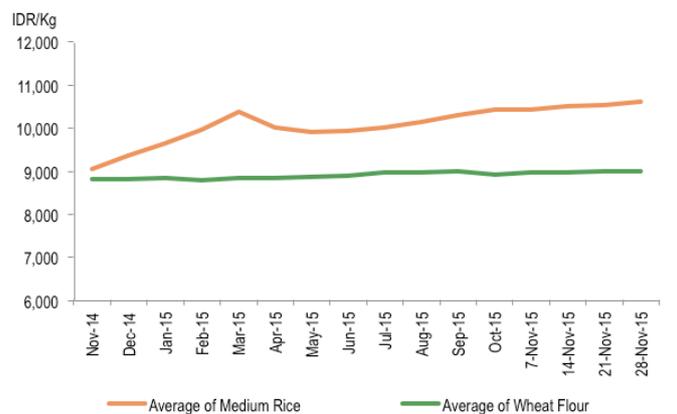
Indonesia has signalled its intent to further open its economy through its participation in negotiations for global trade agreements such as the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership. The latter is an agreement to deepen the integration of the 10 ASEAN economies with the group's six major trading partners. An open economy is particularly relevant for trade in commodities such as rice and sugar, which Indonesia imports. Current

China



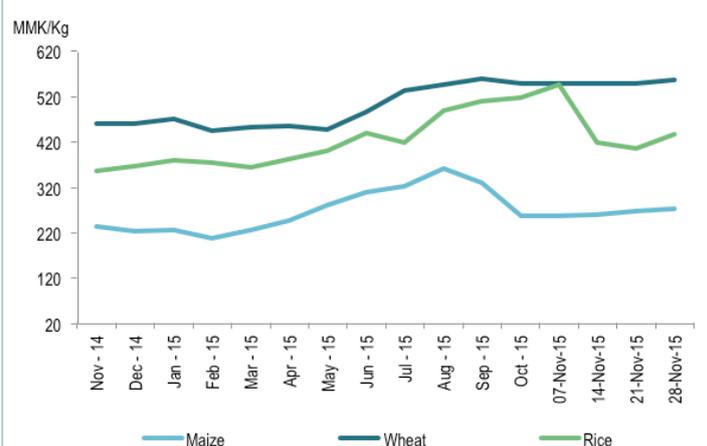
Source: National Bureau of Statistics, 2015.

Indonesia



Source: Ministry of Trade, 2015.

Myanmar



Source: e-Trade Myanmar, 2015.

procedural measures such as quarantine regulations may be revised to reduce market distortions.

In **Myanmar** (Yangon markets), rice prices were 12.7 percent lower than a month ago but 27.2 percent higher than a year ago. In comparison to a year ago, prices for wheat and maize increased 19.3 percent and 12.8 percent, respectively.

In the aftermath of Cyclone Komen, a joint FAO-WFP crop and food security assessment mission is underway to determine how to improve farmers' resilience and reduce overall food insecurity.

Prices for groundnut oil and sugar registered annual increases of 43.1 percent and 31.4 percent, respectively.

In **The Philippines** (Metro Manila), prices for commercial rice remained stable over the past month (not shown in graph). Similarly, prices for beef and pork remained stable over the past month (not shown in graph).

Prices for vegetables registered monthly increases of 55 percent for both tomatoes and beans, 54 percent for eggplants, 32.5 percent for bitter gourds, 29 percent for green beans and 21 percent for red onions. While most of these price increases reflected a higher local demand and the prolonged effects from Typhoon Lando in October, the overall production of tomatoes and onions has been largely affected by lower yields attributed to drier weather caused by the El Niño phenomenon.

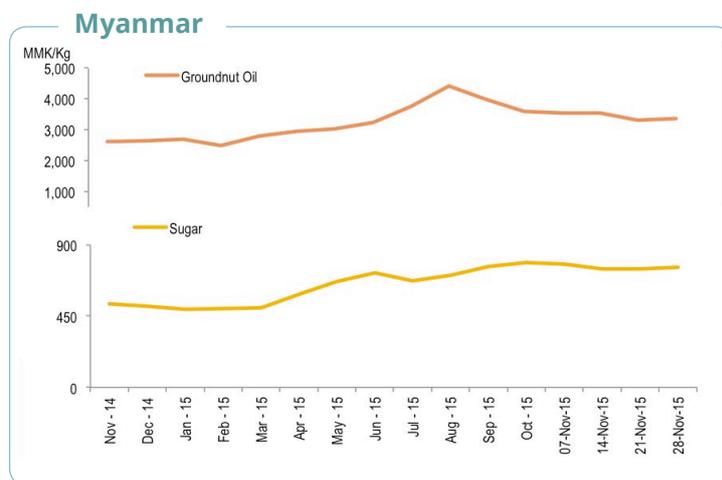
El Niño, which occurs every two to nine years, can "usually" be observed in the Philippines from December to February. Since April, the Department of Agriculture has launched preparedness interventions, such as water conservation measures and cloud seeding. The Department also released drought-tolerant rice varieties and improved small-scale irrigation systems across the nation.

Drier weather affects food prices as well as agriculture employment. To manage the risk of higher inflation and mitigate the effects of El Niño-related events, the National Economic and Development Authority is leading the preparation of a Roadmap for Addressing the Impact of El Niño (RAIN). The Roadmap ensures an adequate supply of food and water in the country, and provides support to encourage the planting of high-yielding and multi-stress resistant varieties of crops. RAIN also lays down strategies to increase technical vocational instruction among the young. The President approved PHP 19 billion (US\$ 404.1 million) to counter the negative effects of El Niño. The main goals are to achieve food production and supply objectives and ensure that farmers' incomes remain stable.

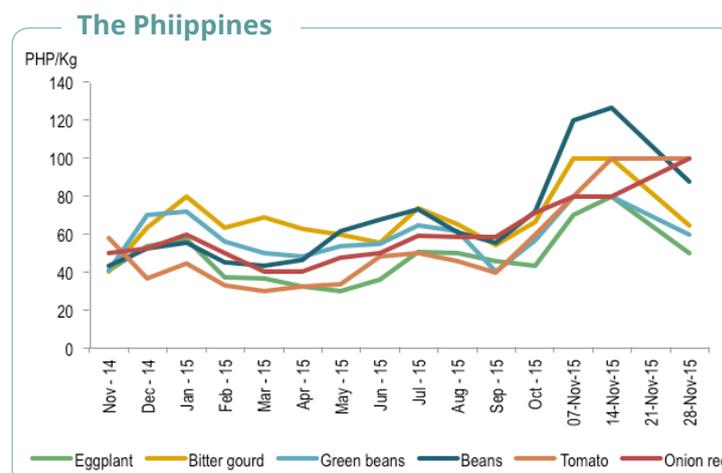
In **Samoa** (national average), prices for root crops and tubers were on average 11 percent higher than a month ago because of decreased supplies. Specifically, prices for taro palagi and taro were 11.8 percent and 11.2 percent higher, respectively, and prices for ta'amu were 11.1 percent higher.

Prices for pumpkins registered the highest increase rising 26.1 percent above last month because of fewer sellers in the markets as well as lower output. Prices for head cabbage were 18.7 percent higher. In contrast, prices for cucumber were 23.1 percent lower than a month ago.

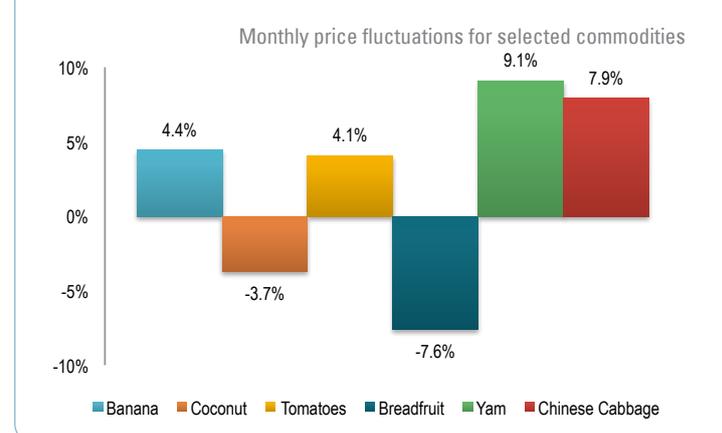
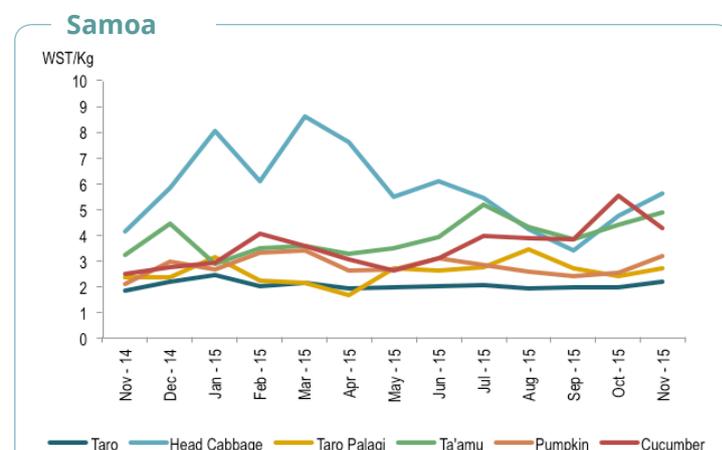
Banana, coconut and tomatoes registered monthly price fluctuations within a +/- 5 percent margin; but breadfruit, yam, and Chinese cabbage registered monthly price fluctuations within a +/- 10 percent margin.



Source: e-Trade Myanmar, 2015.



Source: Philippines Statistical Authority, 2015. Note: Price information from 21 November is missing. For graphic reasons, the layout connects price information from 14 to 28 November.



Source: Samoa Bureau of Statistics, 2015.

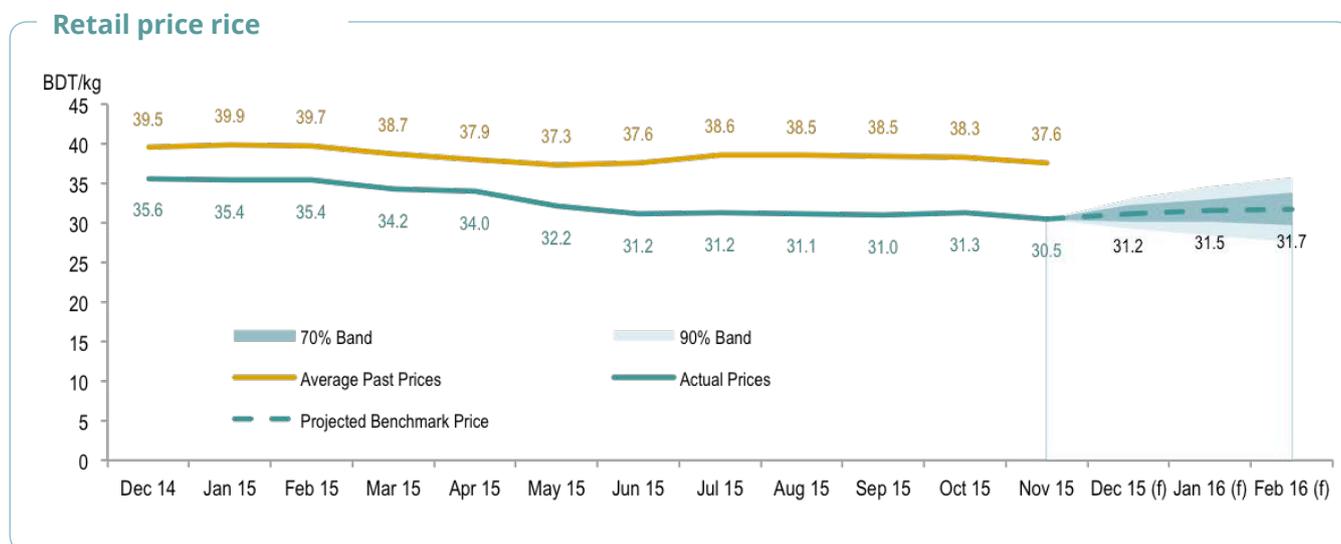
Note: Month-on-month changes are calculated as the price average of the current publication month from the price average of the previous month. Year-on-year changes are likewise reported as the price average of the current publication month from the price average of the same month in the previous year.

PRICE FORECAST

Bangladesh (retail rice)

Retail prices for rice in Bangladesh were BDT 30.5 (US\$ 0.39) per kg in November and were 2.6 percent lower from October and 15.3 percent lower than a year ago. Prices have not been in line with the trend in average past prices as they were down 5.2 percent from April to November compared to an average drop of 0.9 percent experienced over the past 7 years during the same period of time. The benchmark future price for December is forecast at BDT 31.2 (US\$ 0.39) per kg

within a 70% benchmark band of BDT 30.2 – 32.1 (US\$ 0.38 – 0.41) per kg representing a 2.2 percent increase from the price in November 2015 and a 12.6 percent decrease from the price in December 2014. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to increase within a benchmark band of BDT 30.2 – 33.7 (US\$ 0.38 – 0.43) per kg.

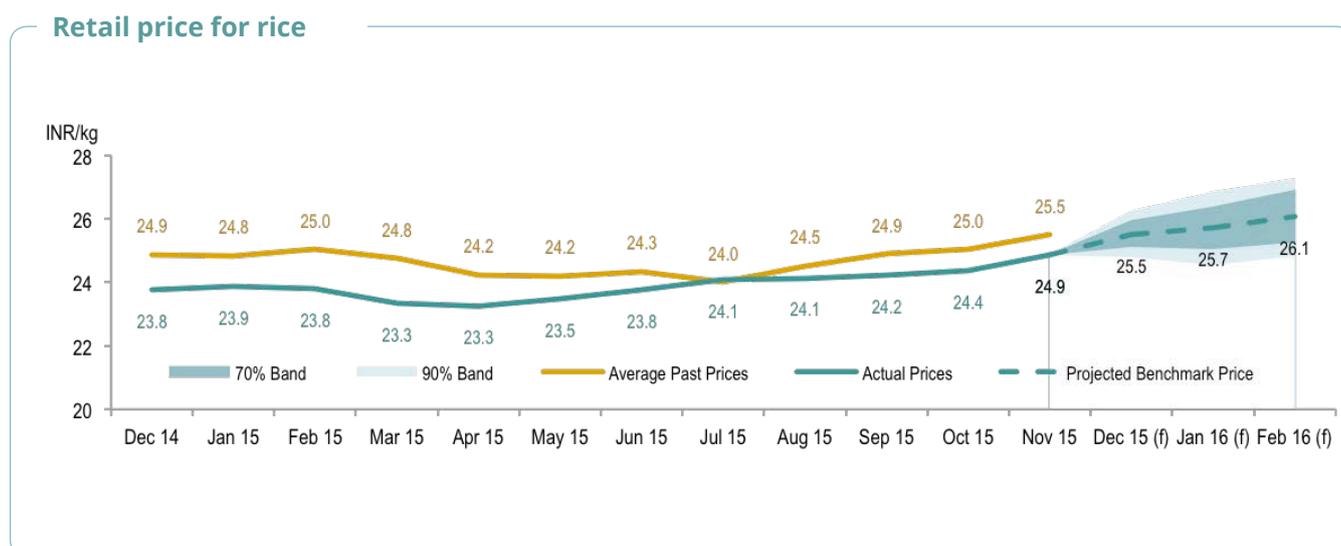


Source: FAO GIEWS and FAO RAP calculations.

India (retail wheat)

Retail prices for wheat in India were INR 24.9 (US\$ 0.38) per kg in November and were 2.1 percent higher than October and 4 percent higher than a year ago. Prices have been generally in line with the trend in average past prices after a divergent period from February to July when prices were up 1.2 percent compared to an average decline of 4.1 percent experienced over the past 7 years during the same period of time. The benchmark future price for December is forecast

at INR 25.5 (US\$ 0.39) per kg within a 70% benchmark band of INR 25.1 – 25.9 (US\$ 0.38 – 0.39) per kg representing a 2.6 percent increase from the price in November 2015 and a 7.4 percent increase from the price in December 2014. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for wheat are likely to increase within a benchmark band INR 25.1 – 26.9 (US\$ 0.38 – 0.41) per kg.



Source: FAO GIEWS and FAO RAP calculations. Note: Average prices for markets in Chennai, Delhi, Mumbai and Patna.

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 oriented policies

China will transform its 1 780 State-owned farms into modern agricultural companies in line with its efforts to further modernize its agriculture sector by 2020 through introducing innovation and business management. This reform is aimed at developing a number of agricultural production bases for grain, cotton, sugar, milk, seeds and oil, and to boost the income and welfare of workers in State farms. The Government also will reinforce its supervision system of State-owned assets, as total assets of all State farms in China have exceeded CNY 1 trillion (US\$ 156 billion). State farms account for about five percent of China's total arable land and are responsible for local public services such as healthcare and education.

The State Council of **China** announced on 1 December that China will establish a number of large-scale agricultural firms with high international competitiveness by 2020. The Government will encourage those firms to introduce advanced technology and management through establishing joint ventures with foreign investors or through mergers and acquisitions.

The Government of **Indonesia** plans to create a body to restore peat land damaged in recent fires. The as-yet-unnamed body will carry out its mandate by hiring professional experts and working closely with environmental and forestry agencies.

The Government of **Mongolia** released its State Policy on Food and Agriculture 2016-2025 in November. It contains a target of increasing the agricultural sector's five-year average GDP growth from 12 percent in 2014 to 20 percent in 2025. Among its salient features are an increased emphasis on shifting to intensive livestock farming to create a sustainable supply of meat and milk for the population, and expanding arable land for crops. It also focuses on increasing food exports through establishing free-trading zones for agriculture, boosting organic farming and enhancing food safety and animal health control.

In order to boost its agriculture sector, **Pakistan** will set up a National Food Security Council chaired by the Prime Minister, with several key ministers and the Minister for National Food Security and Research. The Council's main mandate is to resolve emerging issues related to agriculture.

In November, the Government of **Sri Lanka** amended the Animal Feed Act to better protect the rights of animal feed purchasers and increase penalties for violations. The amendment also included improvement of animal feed registration and changes in composition of the Animal Feed Advisory Committee.

Trade and market related policies

The Government of **Australia** will rewrite agricultural export legislation to better support farmers and exporters by facilitating trade. The improvements will include more understandable rules for exporting, and more effective enforcement tools. This rewrite is a follow-up to the Agricultural Export Regulation Review, which took place

between July and September 2015. The improvements are expected to reduce the regulatory burden on industry and enable exporters to meet future requirements of importing countries through modernized, flexible and efficient laws.

China's Transport Minister announced on 4 December that every village will be connected with an asphalt or concrete road by 2019, which will help farmers living in remotes areas access markets. This plan is part of the Government's policy to root out rural poverty by 2020. China still has 28 000 poverty-stricken villages that lack access to asphalt or concrete roads, and 70 million rural residents officially classified as poor.

New Zealand and **Thailand** agreed on new import protocols for nine New Zealand horticultural exports to Thailand, which became effective on 26 November. The nine commodities are apples, apricots, avocados, capsicums, cherries, kiwifruit, persimmons, strawberries and tomatoes. According to the Ministry of Primary Industries of New Zealand, the combined value of these nine horticultural exports to Thailand was around NZD 50 million (US\$ 33.2 million) in 2014.

India raised the import tariff on ghee, butter and butter oil from 30 percent to 40 percent to safeguard local producers from cheaper imports following a recent steep fall in prices of those products in the global market. The revised tariff will be effective from 5 October 2015 to 31 March 2016.

Pakistan announced that it has lifted its ban on imports of live cattle and bovine meat from 41 countries that are now classified as negligible risk by the World Organisation for Animal Health (OIE). Exporters should comply with the condition of no incidence of Bovine Spongiform Encephalopathy (BSE) for the last 11 years, as well as health and sanitary conditions with halal certifications.

Consumer related policies

Two outbreaks of bird flu were reported in duck flocks in **Cambodia** in November, which were the first cases this year following bird flu outbreaks in February 2014. The relevant authorities have taken preventive measures to control the H5N1-type Highly Pathogenic Avian Influenza, such as stamping out, movement control, disinfection and spraying. They have also investigated the possibility of transmission to humans, although no cases have been reported so far. The disease affected around 9 000 birds that died or were culled.

The Ministry for Primary Industries (MPI) of **New Zealand** issued a warning statement about the potential risk of contracting Hepatitis A from imported frozen berries, and increased surveillance and testing of them in November, following four human cases believed to be linked to imported frozen berries. MPI also directed a specific importer to recall its products.

Taiwan (Province of China) will introduce new, comprehensive legislation regarding the production, marketing, testing and labelling of organic products to streamline all regulations related to organic products. This legislation will also apply to imported organic products, in part mandating bilateral organic equivalency. Currently, organic products are controlled through several different pieces of legislation.

Sources: Policy developments for the Asia-Pacific region are collected by FAO from official and non-official websites. For Australia, the Australian Government; for Cambodia, OIE and the Phnom Penh Post; for China, State Council, Ministry of Agriculture and China Daily; for Indonesia, Anatra News and FAO; for New Zealand, Ministry of Primary Industries; for Pakistan, Ministry of National Food Security and Research, Dawn and Business Recorder; and for Taiwan Province of China, United States Department of Agriculture.

OTHER UPDATES

India pledges to restore 13 million hectares of forest at COP21

The Government of India made a strong commitment towards creating a greener world by pledging to restore 13 million hectares of degraded forestland, in an announcement on the sidelines of the COP21 United Nations Climate Summit in Paris in December. The pledge is India's contribution to the Bonn Challenge, a global initiative to restore 150 million hectares of forestland worldwide launched by Germany and the International Union for Conservation of Nature (IUCN) in 2011.

According to FAO's State of the World's Forests 2012, India has roughly 68 million hectares of forests and, despite losing over 33 million hectares during its colonial period, forests appear to be increasing in India, largely because of afforestation and reforestation and farmers planting trees.

"Forest landscape restoration is a no-regrets option," said IUCN Director General Inger Andersen. "In addition to its invaluable carbon sequestration potential, it offers a whole suite of benefits, including food security and soil conservation."

Indian President Pranab Mukherjee recently expressed concern that about 120 million hectares of land in his country are at various stages of degradation, while urging the adoption of more sustainable land use and soil management.

He said that decreasing land availability for agriculture coupled with a rising population was reducing soil health, water quality and agriculture productivity. All that would threaten India's hard-won gains in food security. "This is totally unacceptable. We have to improve the nutritional status of our population in a time-bound manner," the President said.

Sources: For the first story, the Economic Times, Asian Age and FAO. For the second story, University of Oxford, The Global Source for Science News and The C4 Rice Project.

Crucial research into 'turbocharging' rice enters important new phase

A research project that could lead to huge increases in rice yields and has immense significance for global food security and climate adaptation, is entering an important new phase, scientists at Oxford University, the lead institute in the project, said in late November.

The project, which seeks to alter the way in which rice plants achieve photosynthesis, has been called "one of the great undertakings in plant sciences in the early 21st century," by Robert Ziegler, head of the International Rice Research Institute. "Unless we can translate our work into meaningful products adopted by rice farmers worldwide, this will remain simply an academic pursuit. The unique partnerships that characterize this programme should make sure this happens."

Rice synthesizes sunlight through a pathway known as C3, which is less efficient than a pathway known as C4 used in plants such as maize and sorghum. If rice could use C4 photosynthesis, it would theoretically increase productivity by 50 percent. Scientists also believe introducing C4 traits would improve nitrogen use efficiency, double water use efficiency, and increase tolerance to high temperatures.

With global population relentlessly rising, increased soil degradation and rising temperatures related to climate change already occurring in many rice-growing countries, these alterations are of critical importance to the environment and food security. They would not only contribute to increasing food availability, but could also trickle down to increase food access and raise farmers' incomes.

The project is entering its third phase. The first two phases focused on identifying new components of the C4 pathway, and validating the functionality of C4 enzymes in rice. The third phase will focus on refining the genetic toolkit and engineering the C4 pathway in rice plants.

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