



HIGHLIGHTS

- In China, New Year festivities contributed to price increases above 10 percent for vegetables but pork prices fell slightly on ample supplies.
- Wheat prices in Afghanistan's Kabul markets fell sharply in February in response to the lower demand from domestic millers and abundant supply from neighbouring countries.
- The Philippines has set a target of procuring 190 000 MT of rice from January to June 2015.
- Sri Lanka has introduced several measures to stabilize vegetable prices aiming to reduce the vulnerability of smallholder farmers.
- The Government of Vanuatu together with UN agencies, are undertaking coordinated actions under the Food Security and Agriculture Cluster to provide relief to the people affected by Cyclone Pam.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

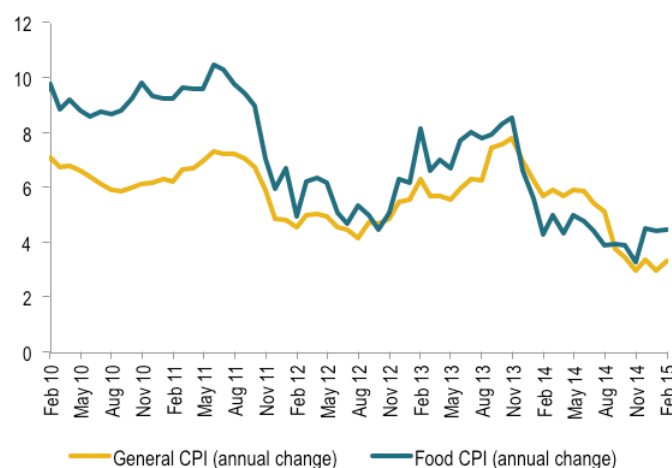
General inflation in the region rose by 3.3 percent and food price inflation rose by 4.5 percent in February compared to February 2014.

Indonesia registered a 6.2 percent rise in consumer and food prices in February, although food price inflation slowed by 1.5 percent compared to January as prices for eggs and vegetables such as chilies, onions and tomatoes were lower. Bangladesh registered a 6 percent increase in both general and food price inflation in February, the same rates as January. India exhibited 6 percent general inflation, and food price inflation of 5 percent.

China's consumer prices rose 1.4 percent in February, and food prices rose 2.4 percent, a 1.3 percent increase over January (see more in Country Overview Section). In Pakistan, month on month, consumer prices fell by 1 percent, and food prices were down 2 percent as chicken prices fell 18 percent, potatoes 17 percent and fresh vegetables 11 percent. General inflation in the Philippines was 2.5 percent in February, and food price inflation fell by 0.7 percent from January to 4.9 percent in February as rice, corn, fruits and vegetables were lower.

Samoa's general inflation slowed by 1.2 percent in February from January, but was 3.1 percent higher than in February 2014. Food prices were 7 percent higher than one year ago. Sri Lanka's consumer prices fell 2.5 percent month on

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.

month, but were 0.6 percent higher than at the same time last year. Food prices fell 2 percent in February, but were 9.5 percent higher than one year ago. Thailand's general inflation slowed by half a percentage point in February, but food prices increased 1.7 percent on seasonal rises in chicken, duck, fish and fruit. General inflation was stable in Viet Nam, but food prices were 1.5 percent higher than last year.

FOOD PRICES

The FAO Food Price Index averaged 179.4 points in February 2015, down 1.8 points (1 percent) from its January value and 29 points (14 percent) below its level in February 2014. Prices of cereals, meat and especially sugar dipped last month, while they remained steady for oils and rebounded sharply for dairy products. The index has been steadily declining since April 2014 and in February 2015 reached its lowest level since July 2010.

International prices for the three major grains continued to fall in February driven by falling prices in the United States, as those of other large producers remained stable. Maize prices fell 1.3 percent and wheat prices slid by 3.9 percent from the previous month. Compared to February 2014, wheat and maize prices dropped by 17 percent and 16.6 percent, respectively, amid ample global supplies and lowered global demand. The price of Thai rice (white 100% grade B) was relatively unchanged from the previous month, increasing just 0.2 percent, but was 5.9 percent lower than the previous year.

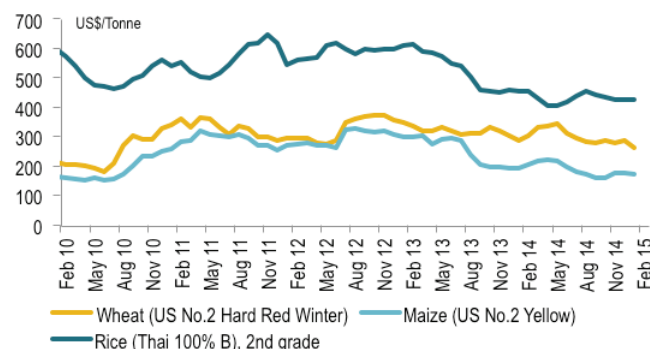
The **regional rice price index** increased just 0.7 percent in nominal terms on a monthly and annual basis in February. Adjusting for inflation, the real price of rice was 1.3 percent higher than in January, and 3.1 percent lower than in February 2014. The nominal prices of rice increased slightly throughout the region, with East Asia up 0.3 percent, Southeast Asia up 0.2 percent, South Asia increasing 0.5 percent, and India up 1.2 percent. Year-on-year, nominal prices increased in East Asia by 3.2 percent, Southeast Asia by 3 percent, and South Asia by 0.9 percent, but fell in India by 3.3 percent. Real prices declined more significantly when compared to the previous year: India down 10.6 percent, South Asia down 3.3 percent and Southeast Asia down 2.1 percent. But prices in East Asia rose by 1.8 percent.

The **regional wheat price index** has remained relatively unchanged in nominal terms, down just 0.2 percent from January and up 0.1 percent from February last year. A slight increase of 0.3 percent in Southeast Asia was offset by declines in South Asia and India, down 0.4 percent and 0.3 percent, respectively. Compared to February 2014, regional prices were just 0.1 percent higher on a combination of increases in East Asia, up 6 percent, and Southeast Asia, up 2.7 percent, with South Asia down 9.9 percent and India down 1.4 percent. Adjusting for inflation, wheat prices in the region decreased an average of 1.6 percent year on year. The decrease reflected mixed annual trends, with East Asia up 4.5 percent, but Southeast Asia down 7.2 percent, South Asia down 8.6 percent, and India falling 8.2 percent.

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.

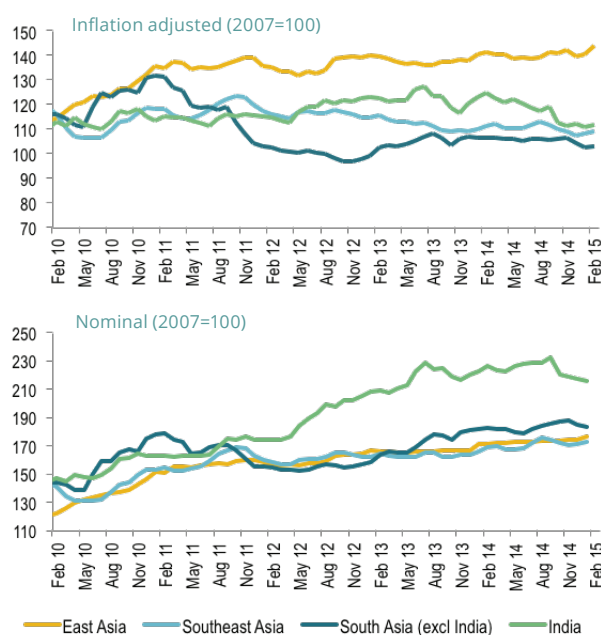
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia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

Global benchmark prices

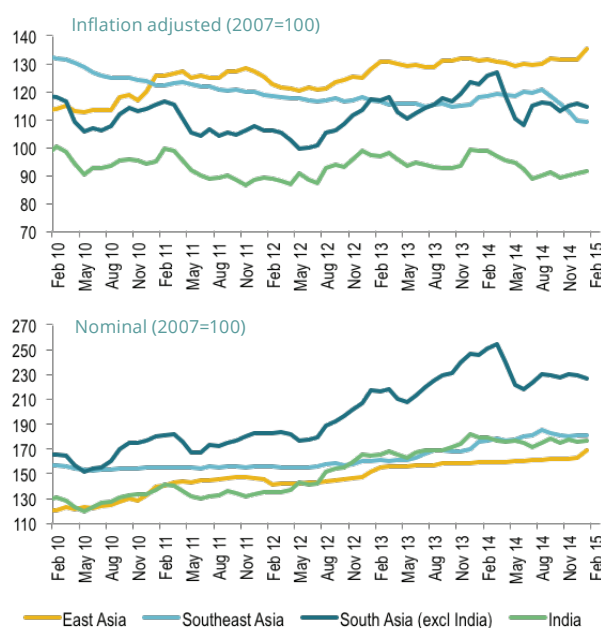


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **Afghanistan's** Kabul markets, wheat and wheat flour prices dropped by 9.7 and 13.4 percent, respectively, from January to February, continuing a short-term trend of falling prices in the winter months that began in October last year. The average price of local wheat (whole country) fell 1.6 percent from January and 5.4 percent from the previous year. Prices for wheat in Kabul registered some of the sharpest declines in the country in response to the lower demand from millers during the winter season when fuel-powered milling facilities operate below their capacity. Afghanistan's milling industry faces difficulty competing with flour producers in neighbouring countries with more modern and efficient facilities. Plentiful supplies from neighbouring Pakistan and Kazakhstan also helped push prices down both for wheat and wheat flour.

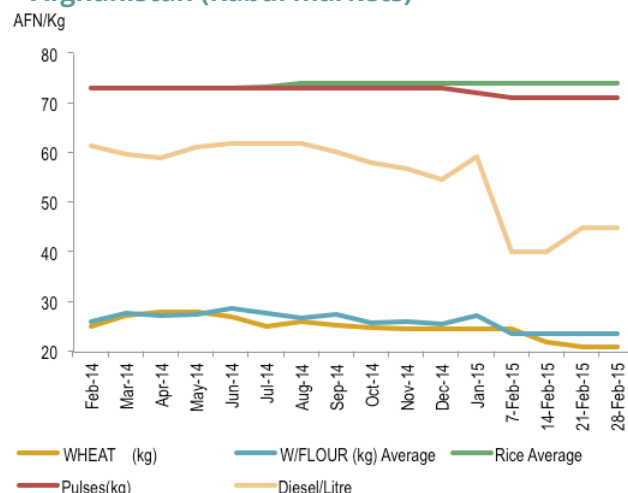
Kabul supplies food to the central provinces and is a transshipment point between the north and south. During February, the northern part of the country was heavily affected by snowfalls while the eastern part of the country was hit by heavy rains and floods. However, the accumulated snowfall is still below the average, according to the Famine Early Warning Systems Network, a US-based provider of early warning and analysis on food insecurity. Melting snow helps fill water basins that supply irrigation systems in coming months.

The average price of rice in the country has remained unchanged since August 2014. Low-quality rice is a substitute for wheat, which is the staple grain consumed by the people of Afghanistan. Rice production is expected to be below average in FY2014/15 because of low precipitation and above-average temperatures that affect snow accumulation. Prices for other food staples fell slightly from January, with cooking oil down 1.6 percent and pulses dropping by 0.9 percent. Diesel fuel prices continued to drop and were approximately 30 percent lower than one month and one year ago.

In **Cambodia** (Phnom Penh markets), rice prices (Phakar Khney and Neangminh varieties) have remained unchanged since February 2014. Beef and pork prices have shown no movement since May 2014 and December 2014, respectively, although beef was 5 percent above the prices in February 2014. Fish and chicken prices increased by 4 percent and 12.5 percent, respectively, from January. They were, however, 18.2 percent and 7.6 percent more expensive, respectively, than in February 2014.

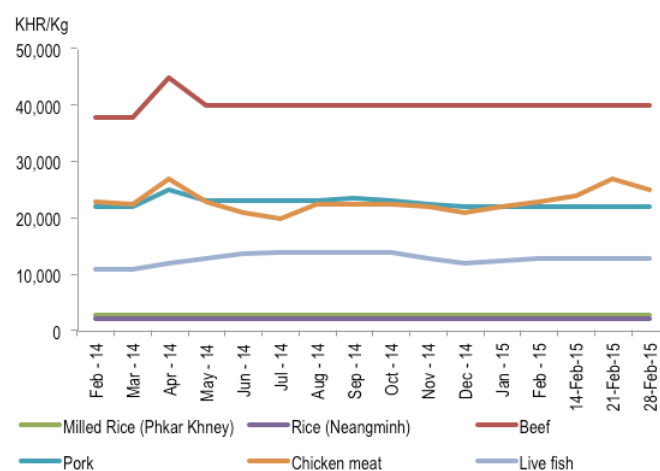
In **China** (average of 50 cities), rice prices remained almost unchanged from the previous month, but were 3.1 percent higher than at the same time last year. Pork prices fell 0.9 percent in February compared to January, while chicken prices edged up 0.8 percent. In response to expected higher demand for meat and vegetables during the Chinese New Year festivities based on previous years, the Chinese government released reserves of pork, beef, mutton and vegetables to ensure adequate and timely supplies across all markets nationwide. These measures were reflected in

Afghanistan (Kabul markets)



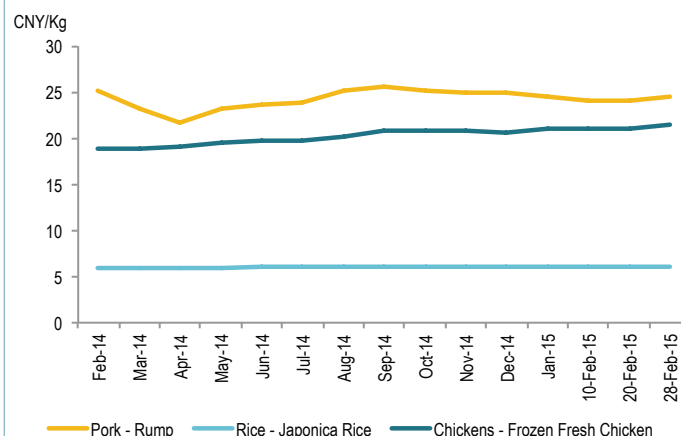
Source: Vulnerability, Analysis and Mapping, World Food Programme, 2015

Cambodia (Phnom Penh markets)



Source: Ministry of Agriculture Forestry and Fisheries, 2015

China: rice and meat



Source: National Bureau of Statistics, 2015

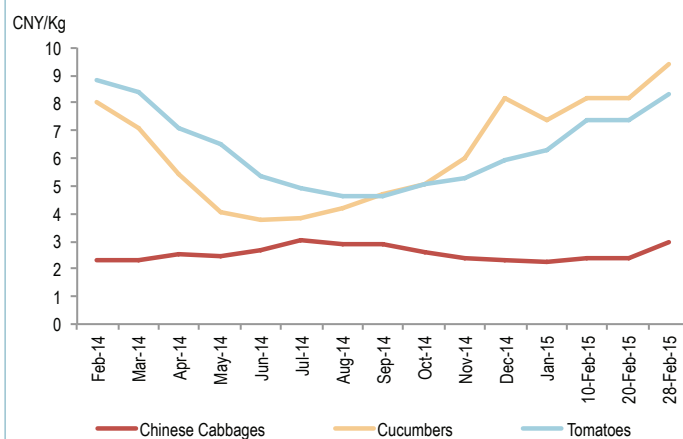
the lower price of pork, which was 3.4 percent below that of February 2014. Prices for several vegetables increased, however, over the past month, particularly for Chinese cabbage, up 13.8 percent, cucumbers up 16.6 percent and tomatoes up 22.6 percent. The increases are regarded as seasonal and occurred in the context of Chinese New Year festivities.

In **The Philippines** (metro Manila), commercial rice prices (regular and well milled) have remained unchanged since June 2014, although regular milled rice was nearly 10 percent more expensive than one year ago, and well-milled rice prices were 12.2 percent higher than in February 2014. On a monthly basis, vegetable prices were highly volatile during February. Prices for tomatoes and red onions dropped 26.2 percent and 18.1 percent, respectively, on higher supplies from regions such as Northern Mindanao and Ilocos. Year on year, however, prices for tomatoes were 27.4 percent higher while those for red onions were 29.8 percent lower. The price of Philippine Lime (calamansi) increased by 20.7 percent in February compared to January because of lower supplies from the provinces, such as the Zamboanga Peninsula, to food markets in the capital. Typhoon Hagupit, which struck the Zamboanga Peninsula in December, significantly affected the production of several crops, among them Philippine Lime. Still, Philippine Lime prices were 14 percent lower than the ones observed in February 2014.

In **Sri Lanka** (Colombo markets), rice prices were 0.8 percent below those in January, but were 12.4 percent higher than prices in February 2014. Wheat flour prices declined by 10.8 percent from January, and were 9.9 percent lower than one year ago. Vegetables registered some of the sharpest price falls month on month in February as prices stabilized following a spike in the previous month caused by heavy rains that resulted in floods and landslides, which have destroyed harvests since December 2014. Green chillies fell by 51 percent, brinjal (eggplant) prices dropped 45.7 percent, carrots were down 25.5 percent and local potatoes were 10.8 percent lower. Prices for all these vegetables, however, were significantly higher than one year ago. Green chillies were 125.7 percent higher, carrots were up by 94.2 percent, brinjal by 37.3 percent and potatoes by 10.9 percent.

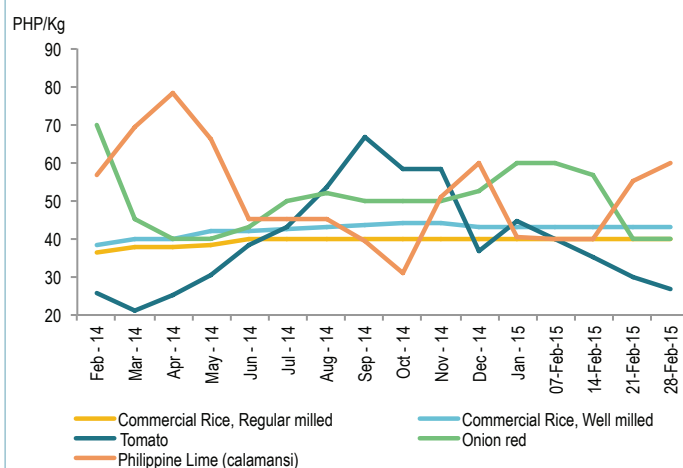
Following the heavy rains of December and January, weather conditions improved during February, resulting in an increased influx of produce from northern provinces that helped bring vegetable prices down. Smallholder farmers, however, have been suffering losses because their cultivation costs were higher than market prices for their produce. In response, the government has introduced several measures to stabilize vegetable prices. They include a concessionary scheme that provides subsidised seeds and/or plots of vegetable plants to farmers, and a capacity building programme that educates farmers in urban and rural areas on how to rotate crops and cultivate vegetables off-season in home gardens.

China: vegetables



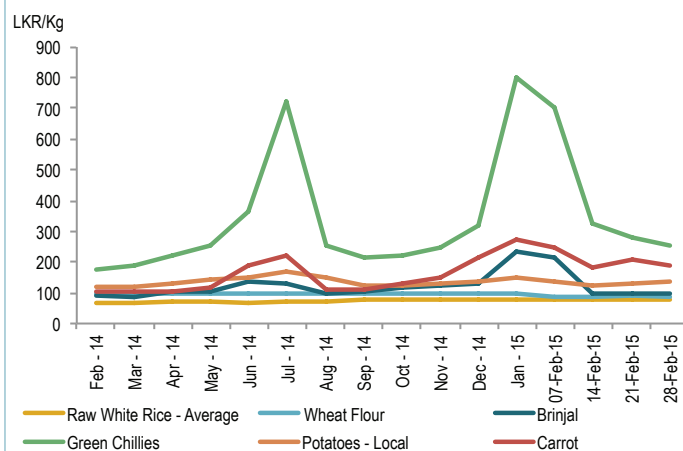
Source: National Bureau of Statistics, 2015

The Philippines



Source: Philippine Statistics Authority, 2015

Sri Lanka



Source: Department of Census and 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.

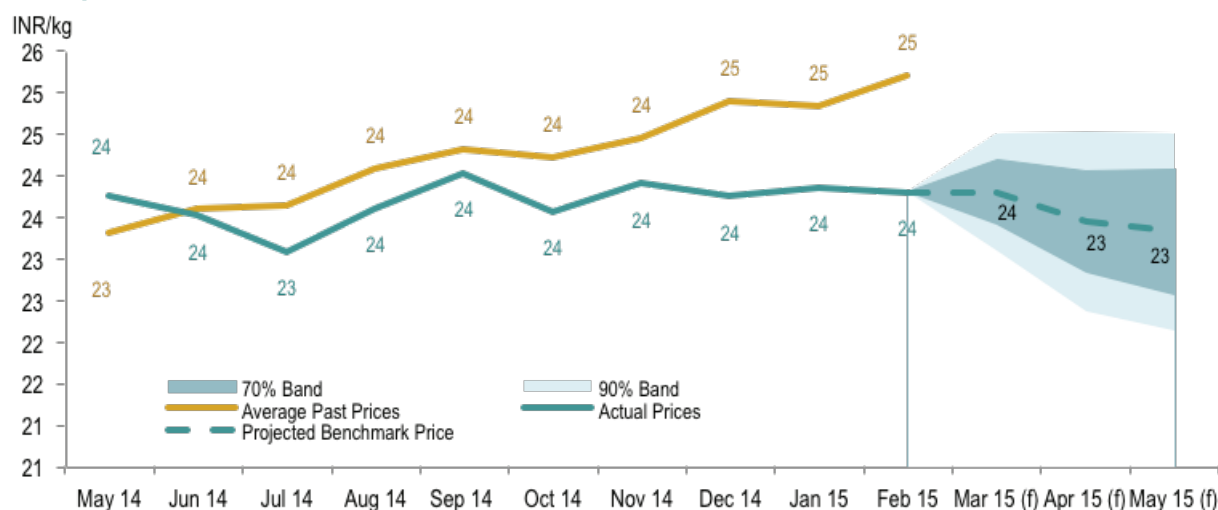
PRICE FORECAST

India (retail wheat)*

Retail prices for wheat in India were INR 24 (US\$ 0.39) per kg in February, an increase of 1.5 percent from the previous month and an increase of 6.5 percent from February last year. The benchmark future price for March is forecast to be INR 23.8 (US\$ 0.37) per kg (within a 70% benchmark band of INR 23- 24.2 [US\$ 0.37- 39.0] per kg) a decline of 5.6 percent

from a year ago, February 2014, and an increase of less than one percent (0.4 %) from the previous month, February 2015. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for wheat are likely to remain stable within a small benchmark band of INR 23-24 (US\$ 0.37- 0.37) per kg.

Retail price for rice



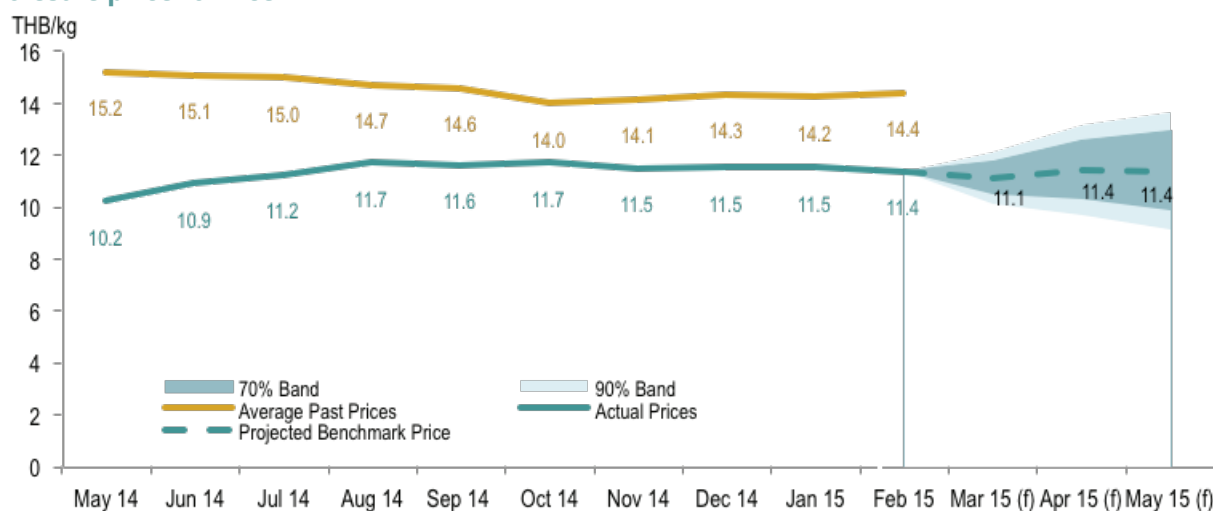
Source: FAO GIEWS and FAO staff calculations. *Note: Average prices for markets in Chennai, Mumbai, New Delhi and Patna.

Thailand (wholesale rice)

Wholesale prices for rice in Thailand were THB 11.5 (US\$ 0.39) per kg in February, a decline of 1.2 percent from January 2015 as well as a drop of 5.2 percent from February last year. The benchmark future price for March is forecast to be THB 11.1 (US\$ 0.34) per kg (within a 70% benchmark band of THB 10.5- 11.1 [US\$ 0.32- 0.34] per kg) an increase

of 2 percent from a year ago, February 2014, and a decline of 2.2 percent from the previous month, February 2015. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to remain stable within a small benchmark band of THB 10.5- 11.4 [US\$ 0.32- 0.35] per kg.

Wholesale price for rice



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 oriented policies

During the third session of the 12th National People's Congress, the Premier of the State Council in **China** announced a refinement of policies on the minimum state grain purchase price for agricultural products as well as the guaranteed prices, in order to improve food supplies and strengthen marketing cooperatives in rural areas.

According to the the United States Department of Agriculture's (USDA) Foreign Agriculture Service, the **Government of China** has responded to the outbreak of Highly Pathogenic Avian Influenza (HPAI) by encouraging farmers to send their chickens to slaughterhouses instead of slaughtering them at wet markets, among other measures.

In **India**, the Department of Agriculture and Cooperation approved the launch of an e-market platform across States and Union Territories for agricultural produce that aims to provide a space for retailers to purchase directly from farmers and reduce the role of middlemen. Among the intentions are to improve transparency and competitiveness. The formulation of guidelines is still pending, however, the government has secured IND 2 billion (US\$ 32.2 million) in the Agri-Tech Infrastructure Fund for the project.

The Government of **India** has removed the 5 percent cap of *neem coated urea* (fortified) to encourage indigenous manufacturers to use fortified urea in rice cultivation. The Indian Agricultural Research Institute estimates that this measure will increase the yield by up to 5 percent.

The National Food Authority in **The Philippines** has set a target of procuring 190 000 MT of rice at PHP 17 (US\$ 0.38) from farmers from January to June 2015 in response to the decline in rice prices. Additional monetary incentives, will be given for delivery and drying (PHP 0.20 cents ~ less than one US cent, per activity) and cooperative sales (PHP 0.30 cents ~ less than one US cent).

In **Sri Lanka**, the Ministry of Food Security is discussing the implementation of a discussion space called "Operation Room for Food Security" to accumulate and collect the views of different stakeholders regarding food production and trade.

To stabilize prices while waiting for the new crop to supply markets sometime in March, **Thailand's** Cabinet endorsed a proposal in February to increase supplies of domestic palm oil by at least 110 000 MT through greater imports and a

reduction in the biodiesel mandate. According to different reports, the biodiesel mandate will be restored once supplies of cooking oil are re-established after a domestic new crop of oil palm kernel becomes available in March.

Trade and market related policies

Afghanistan is in the midst of stakeholder discussions to finalize details to start importing vitamin-enriched wheat flour from Kazakhstan in order to reduce the 42 percent rate of malnutrition among children under five years old.

Cambodia's state-owned Centre for Study and Development in Agriculture (CEDAC) has set a target to nearly double fragrant organic rice exports from 540 000 MT to 1 000 000 MT by expanding its sales to markets in the Middle East as well as the United States and China, Hong Kong SAR.

The Ministries of Industry and Commerce both in **Lao PDR** and **Viet Nam** have signed an agreement to eliminate tariffs on more than 95 per cent of goods traded between the two nations.

The Government of **Pakistan** approved 100 000 MT of wheat flour exports. The exports will be eligible for the same subsidies that were recently announced for wheat exports.

The **Viet Nam** Food Association secured a contract with **The Philippines** to supply 150 000 MT each for 15 percent and 25 percent broken rice at US\$ 442 and US\$ 425 per MT, respectively.

Consumer oriented policies

The State Council of **China** released its annual food safety work priorities to strengthen the quality of agricultural produce by setting up a traceability system, implementing a licensing system for food production, and setting up a national network to monitor food safety.

In early March, **India** set up a Price Stabilization Fund worth IND 5 billion (US\$ 1.2 million) to manage the price volatility of onions and potatoes at the national level.

In **Sri Lanka**, the Consumer Affairs Authority has been instructed by the Cabinet of Ministers to develop a mechanism to make decisions about food price reductions based on affordability (the cost of living).

OTHER UPDATES

Indonesia signs rice research pact with IRRI

The Indonesian Agency for Agricultural Research and Development (IAARD) and the International Rice Research Institute (IRRI) signed a working plan for 2015-2019 in February in Jakarta to increase rice production in Indonesia.

The work plan calls for the agencies to step up efforts at developing not only higher-yield, but also climate resistant

rice varieties, along with capacity building measures to impart greater knowledge to local farmers. IRRI has launched an ICT-based application for Indonesian farmers, which provides location-specific advice on the most appropriate fertilizers to use, along with disseminating other crop management knowledge and tools.

Indonesia is the third-largest rice producer in the world. The government estimates that the country produced 70.6 million tonnes of paddy in 2014 and is forecasting production of 71.3 million tonnes in 2015. Nonetheless, Indonesia imports rice, mainly from Thailand and Viet Nam, to meet the needs of its growing population, which now stands at 249 million and is expected to increase at a rate of 1.5 percent annually. Indonesia has the largest per capita rice consumption in the world with the average Indonesian consuming around 140 kilogrammes of rice per year.

Indonesia's government has set a target of increasing yields by 200 kilograms per hectare per year as a means to achieving self-sufficiency in rice, and the collaboration between IAARD and IRRI is expected to help the Government achieve this goal. The two agencies have been cooperating in research since 1972, and IRRI research has contributed to the improvement of over 230 varieties of Indonesian rice. The IAARD said the collaboration will allow Indonesia to obtain the best rice science available.

Vanuatu Government organizing Cyclone Pam relief

The Government of Vanuatu is appealing for international assistance to restore agricultural production and rebuild livelihoods, which were affected by Cyclone Pam, a category 5 cyclone that hit most of the islands making up the country on March 13. The cyclone-caused flooding damaged the main food crops, including export crops. Early reports indicate that the banana crop has been destroyed throughout the country, as have most coconuts and inland cabbage plants and leafy vegetables. Cassava, taro and yams – which are the most important local food commodities – have been uprooted by

the flooding, while fruit trees have been stripped. Losses of animals and fishery infrastructure were also reported. The Minister of Agriculture has urged farmers to use remaining planting materials to begin replanting immediately in an effort to minimize disruptions to the food supply in coming months.

The president of Vanuatu declared a state of emergency in Shefa province, appealing for immediate assistance on 16 March. The Food Security and Agriculture Cluster (FSAC), established before the cyclone hit, has implemented a Prioritised Action Plan. It consists of two phases: (1) emergency food relief during 13-28 March; and (2) replanting and longer-term recovery support from 28 March through July. FSAC is fully operational under the leadership of the Department of Agriculture and Rural Development, with the support of FAO, the German Federal Enterprise for International Cooperation/the Secretariat of the Pacific Community (SPC) as well as an active membership of several NGO's.

Agriculture accounts for about 20 percent of Vanuatu's economy, and more than 70 percent of its population in rural areas is dependent on subsistence farming for their livelihoods. The frequent exposure to multiple natural hazards has resulted in Vanuatu being ranked as one of the most vulnerable countries in the world.

Sources of policy information: USDA (Afghanistan), Oryza (Cambodia); Ministry of Agriculture and USDA (China), Public Information Bureau (India), USDA (Pakistan), National Food Authority (Philippines); Official Government News Portal (Sri Lanka); National News Bureau and USDA (Thailand), Viet Nam Net (Viet Nam). Policy developments for the Asia-Pacific region are collected by FAO.

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

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