The pace of general and food inflation in the region remained strong in April, rising by 3.8 percent and 7.2 percent, respectively, compared to the same month last year.

The Government of India imposed limits on sugar stocks because of rising prices, as sugar prices increased 9.1 percent in April.

Wholesale rice prices in Thailand (25 percent broken rice) increased 1.2 percent month on month but were up 7.6 percent year on year.

The Government of Bangladesh will buy 700,000 tonnes of paddy directly from farmers as the price continued to decrease.

Indonesia, Malaysia and Thailand have been compelled to reduce their rubber exports through August 2016 because of oversupply and weak demand.

**REGIONAL OVERVIEW**

**FOOD AND REGIONAL INFLATION**

General inflation in the region was 3.8 percent, and food price inflation was 7.2 percent in April 2016. The food price inflation rate has exceeded the general inflation rate by at least 3 percent since February 2016.

In April, general and food inflation in Bangladesh increased slightly, with both rising by 0.1 percent. In China, food and general inflation fell month on month but were still higher year on year. General inflation fell 0.2 percent and food inflation was down 1.4 percent in April. Year on year, general inflation was up by 2.3 percent and food prices were up by 7.4 percent. Fresh vegetables and pork prices were 22.6 percent and 33.5 percent higher, respectively, than at the same time last year.

In Indonesia, general inflation fell by 0.5 percent and food prices by 0.9 percent. Year on year, however, general inflation rose by 3.6 percent and food inflation by 8.9 percent. In Pakistan, general and food inflation increased by 1.6 percent and 2.5 percent, respectively. Higher prices were recorded for chicken (19.2 percent), tomatoes (13.7 percent), and gram pulse (10.1 percent).

India’s general inflation remained stable, and food prices increased by 1.1 percent, with higher prices for potatoes, apple, bajra (pearl millet) and coconut.

General inflation in the Philippines inched up by 0.2 percent and food prices by 0.1 percent. Sri Lanka’s general and food inflation rose by 1.3 percent and 2.2 percent, respectively. Higher prices were recorded for vegetables (tomatoes, drumstick vegetable, beetroot, green beans, cucumber, onions, and ash pumpkins), limes, salt, and chickens. In Thailand, general inflation increased by 0.6 percent and food inflation by 1.2 percent. In Viet Nam, general inflation was up 0.3 percent, and food prices remained stable.

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.
FOOD PRICES

The FAO Food Price Index (FPI) averaged 151.8 points in April 2016, up 1.1 points (0.7 percent) compared to March. The increase in vegetable oil prices, and to a lesser extent the rise in cereals prices, did more than offset the decline in dairy and sugar prices. However, FAO FPI is almost 10 percent below its April 2015 level.

Maize prices (US No.2 Yellow) increased by 2.8 percent in April compared to the previous month. However, they were still 4.6 percent lower than a year ago. Wheat prices (US No.2 Hard Red Winter) declined by 3.0 percent in April compared to March, and were 15.9 percent lower than in April 2015.

Thai rice prices (white 100 percent grade B) rose by 2.2 percent in April from March, mainly because of a general strengthening of export quotations in Thailand due to anticipated lower supply caused by drought, but prices were still 2.3 percent lower than a year ago.

The regional rice price index in nominal terms was 0.6 percent higher in April than a year ago. The real price of rice was 0.9 percent lower than in March and 3.4 percent lower than in April 2015. The nominal price of rice declined in South Asia (excluding India) by 3.8 percent from March. The nominal rice price remained stable in East Asia and decreased by 0.6 and 0.2 percent in Southeast Asia and India, respectively, compared to March.

Year on year, nominal rice prices decreased by 1.1 percent for India, and fell by 12.5 percent for the rest of South Asia. However, in Southeast Asia they rose 7.5 percent and in East Asia by 1.6 percent. In South Asia and India, real rice prices declined by 19.1 percent and 10.8 percent, correspondingly. Rice real prices in Southeast Asia increased by 2.0 percent, followed by East Asia, up 1.7 percent.

The regional wheat price index in April was 0.8 percent lower, in nominal terms, than in March but 4.4 percent higher than a year ago. Month on month, the nominal wheat price in South Asia (excluding India) declined by 2.7 percent, while falling in India by 1.3 percent and in Southeast Asia by 0.6 percent. East Asia recorded a slight increase of 0.4 percent.

Year on year, nominal prices remained stable in South Asia, but increased by 8.4 percent in India, 3.2 percent in East Asia and 2.3 percent in Southeast Asia.

Real wheat prices in the region fell by 1.1 percent compared to March, and by 2.1 percent compared to April last year. Prices decreased by 3.7 percent in South Asia and 1.8 percent in India, and to a lesser extent in East Asia and Southeast Asia where they fell 0.1 percent and 0.2 percent, respectively.

Year on year, real wheat prices dropped by 3.4 percent in East Asia, 2.8 percent in Southeast Asia and 2.7 percent in South Asia excluding India, where wheat prices rose by 0.9 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.
**COUNTRY OVERVIEW**

**FOOD PRICES**

In Afghanistan (Kabul markets), both wheat and wheat flour prices decreased during the month of April. Wheat prices were down 3.7 percent, wheat flour prices were down 4 percent (for low quality) and 6.7 percent (for high quality) compared to March. However, both prices were still higher than a year ago, with wheat prices 30 percent higher, and wheat flour prices 9 to 12 percent higher than in April 2015.

Monthly rice prices were stable in April, but yearly prices fluctuated depending on rice quality. The price for high quality rice was 7.8 percent lower than a year ago. On the other hand, the price for low quality rice was 18.4 percent above the price a year ago.

Prices for cooking oil have continued to increase since November 2015, and were 3.2 percent and 1.3 percent higher than a month and a year ago, respectively.

In Bangladesh (Dhaka markets), the wholesale price of coarse rice in April decreased by 4.4 percent from March, with a year-on-year decline of nearly 23 percent. The retail price of coarse rice in April increased by 3.5 percent, but was still 9 percent lower than one year ago. Responding to the continuing decline in prices, the Government of Bangladesh announced it will purchase 700 000 tonnes of rice directly from farmers to incentivize planting and production. The Government was also planning to impose an additional duty of 10 percent on rice imports on top of the existing tariff of 20 percent.

Wholesale prices for wheat and wheat flour in April decreased 1.2 and 1.1 percent, respectively. Retail prices for wheat and wheat flour in April were 1.2 percent and 3.4 percent lower, respectively, than in March. On a yearly basis, the wholesale prices for both wheat and wheat flour continued to trend downward, with declines of 16.2 percent and 22 percent, respectively. Retail prices for wheat and wheat flour followed a similar trend with prices 22.9 percent and 17.7 percent lower than a year ago.

In India (Delhi markets), prices for rice and maize remained relatively stable during April. Compared to one year ago, however, rice and maize prices have risen roughly 7 percent and 11 percent, respectively. Despite two years of poor rainfall, the recent pre-monsoon heat wave, and the smaller secondary season harvest, the country still has a large availability of stocks. Wheat prices have been declining and were 2.6 percent lower than a month ago.

A bumper crop has driven onion prices down since September 2015. Compared to a year ago, the price of onions declined by 33 percent, and their prices in April were 13 percent lower than in March. Conversely, potato prices have been rising because of short supplies caused by a heat wave that damaged harvests. During April, potato prices increased 37.5 percent, and were 94 percent higher than a year ago.

Below-average rainfall also drove sugar prices higher. In April, sugar prices increased 9.1 percent from March, and were 6.9 percent higher than a year ago. There is a possibility that India could become a net importer of sugar in the 2016-17 marketing year.

Egg and brinjal (eggplant) prices declined 11.1 percent and
21.4 percent, respectively, in April. The bajra (pearl millet) price in April was 10 percent higher than in March, and was 244 percent higher than a year ago. Tomato prices in April were 35.4 percent lower than a year ago. Similarly, urad (black lentil), chicken, and fresh coconut prices were 78.1 percent, 20 percent, and 50 percent higher than a year ago, respectively.

In the Philippines (metro Manila markets), rice prices reported by the National Food Authority remained unchanged during April despite lower production in the first quarter of 2016. Prices for commercial regular and well-milled rice were 12.1 percent and 6.4 percent lower than a year ago, respectively. During the month of April, drought linked to El Nino did not affect domestic rice prices.

During April, prices for many vegetables increased by more than 15 percent. Prices for carrots, onions, and sitao (string bean) increased 19.3 percent, 16.4 percent, and 29.6 percent, respectively, from March. Onion and sitao (string bean) prices in April were 68.8 percent and 45.3 percent higher than a year ago, respectively. Similarly, compared to a year ago, carrot and cabbage prices were 20.3 percent and 19.3 percent higher, respectively. Despite a 23.1 percent decline in eggplant prices since March, the price was still 22 percent higher than a year ago.

Fruit prices followed similar trends as those for vegetables. Mango and papaya prices have increased 6 percent and 18.8 percent, respectively, since March, and were 26 percent and 63 percent higher than a year ago, respectively.

Wholesale rice prices in Thailand (Bangkok markets) rose slightly during April. Prices for 25 percent broken rice increased 1.2 percent, although compared to a year ago the price was up by 7.6 percent. The harvest for the secondary rice crop is expected to be lower because of a drought brought on by El Nino. While prices remained fairly stable, there is a strong possibility price quotes will be higher in the following months.

Lime prices in April were 23 percent higher than in March, but were 26.2 percent lower than one year ago. Prices for chicken eggs decreased 5.1 percent in April, but were still 12.5 percent higher than a year ago. The price of pork tenderloin was up by 6.6 percent in April. The prices of cooking oil and white shrimp continued to decline, and were 10.6 percent and 12.3 percent lower, respectively, than a year ago.

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, coarse rice)

Retail prices for coarse rice in Bangladesh were BDT 28.7 (US$ 0.36) per kg in April, an increase of 0.7 percent from the previous month and a decrease of 3.2 percent from April last year. The benchmark future price for May is forecast to be BDT 28.8 (US$ 0.37) per kg (within a 70 percent benchmark band of BDT 28.3 – 29.3 [US$ 0.36 – 0.37] per kg) a slight increase of 0.2 percent from April 2016, and a decrease of 4.7 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for coarse rice are likely to increase gradually within a benchmark band of BDT 28.2 – 30.3 (US$ 0.36 – 0.38) per kg.

Thailand (wholesale, rice)

Wholesale prices for rice (25 percent broken) in Thailand were THB 11.8 (US$ 0.33) per kg in April, an increase of 1.9 percent from the previous month and an increase of 8.4 percent from April last year. The benchmark future price for May is forecast to be THB 11.9 (US$ 0.33) per kg (within a 70 percent benchmark band of THB 11.5 – 11.9 [US$ 0.32 – 0.33] per kg) a slight increase of 1.1 percent from April 2016, 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 wholesale prices for rice (25 percent broken) are likely to increase gradually within a benchmark band of THB 11.3 – 13.6 (US$ 0.32 – 0.38) per kg.

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/.

Source: FAO GIEWS and staff calculations, 2016

Source: FAO GIEWS and staff calculations, 2016
Production oriented policies

**Australia** has passed legislation to establish an improved Farm Management Deposits (FMD) programme that will be launched on 1 July to help farmers have greater flexibility in managing their finances during periods of uncertainty. The deposit cap for FMDs will increase from AUD 400 000 (US$ 294 000) to AUD 800 000 (US$ 587 000) and financial institutions will be able to offer FMDs as farm business loan offset accounts and re-establish early access provisions in times of drought.

**Indonesia** has set a target to increase the value of fruit and floral farming by IDR 120 trillion (US$ 9 billion) through boosting promotion, plantation and local consumption. As one of the measures to increase fruit production, the Government will provide 400 000 hectares of land to farmers, starting with 100 000 hectares in cooperation with state-owned companies.

In order to minimize impacts of El Nino, the **Philippines** released PHP 310 million (US$ 6.6 million) for drought-mitigating interventions such as providing hybrid and certified seeds, shallow tube wells, pump equipment, cloud-seeding operations and crop insurance. In addition, it distributed Quick Response Funds of PHP 207 million (US$ 4.4 million) to rehabilitate farms that were stricken by severe drought.

**Sri Lanka** decided on 26 April to double minimum fines on fishing vessel operators who obstruct inspections by authorised officers to LKR 50 000 (US$ 341), with larger fines for larger vessels. According to the decision, the Coast Conservation Force will be given new authority to inspect vessels suspected of committing Illegal, Unreported and Unregulated (IUU) fishing. The decision was taken by the European Union in April to lift the ban on imports of Sri Lanka’s fisheries products that was imposed in February 2015.

As one of the measures to tackle Illegal, Unreported and Unregulated (IUU) fishing, the Government of **Thailand** approved a THB 105 million (US$ 3 million) budget to buy 54 fishing vessels that had breached the Fisheries Act. Most of the vessels will be used to create artificial coral reefs, which will help to revive marine eco-systems in the sea off the coast of some provinces.

**Trade and market policies**

**Bangladesh** has approved the procurement of 1.3 million tonnes of paddy and rice for the boro season (dry season, the largest production season in Bangladesh) from 5 May to 31 August. The Government will buy 700 000 tonnes of paddy at BDT 23 per kilogram (US$ 294 per tonne) directly from farmers while 600 000 tonnes of rice will be purchased at BDT 32 per kilogram (US$ 408 per tonne) from millers.

On 19 April China and **New Zealand** signed a formal arrangement on the supply of halal goods, easing market access for New Zealand halal meat. Under the arrangement, China would recognise New Zealand’s halal regulation and certification system for halal goods trade, which will be the first time that China has recognised another country’s halal regulation and certification system.

**India** launched a pilot e-trading platform on 14 April that links 21 agricultural markets over eight States electronically. The platform allows farmers to sell their produce anywhere in the country, making it possible for farmers to retain more profits by avoiding multiple levies through direct sales at relatively higher prices. The Government designated 200 markets for inclusion in the system by September 2016, and 585 markets by March 2018.

The Government of **India** directed States on 27 April to impose sugar stock limits on dealers and traders as local sugar prices surge. The Ministry of Consumer Affairs, Food and Public Distribution capped 500 tonnes for States other than parts of West Bengal where dealers could hold up to 1 000 tonnes. It also placed a limit of one month for dealers to hold stocks. States will be allowed to fix stockpiling limits and the period of holding on their own as long as they are kept within the caps set by the Ministry.

**Indonesia** modified its import regulations to allow meat and livestock to be imported from approved zones within other countries, even though animal diseases may be present in other parts of those countries. The objectives of this measure are to diversify import sources to reduce heavy dependency on Australian meats, as well as to stabilize local meat prices.

**Indonesia**, **Malaysia** and **Thailand**, which collectively produce 67 percent of the world’s rubber, have agreed to reduce rubber exports by 615 000 tonnes over six months until the end of August in an effort to raise rubber prices, which have fallen over five years because of oversupply and weak demand. They also agreed to boost national consumption through diversification, such as using rubber in infrastructure construction. In line with the agreement, Thailand is providing new credits totalling THB 1.5 billion (US$ 42 million) to the rubber processing industry to support production expansion and purchasing machinery.

**Consumer oriented policies**

The State Council of **China** confirmed on 11 May this year’s food safety work plan to further tighten implementation of food safety rules. The plan calls for the revision of food safety regulations so that those who produce fake products and use illegal additives will receive heavier punishment. It also stressed tighter supervision of baby formula and food supplements, as well as closer inspections for pesticides and heavy metals contaminating food.
