



HIGHLIGHTS

- General inflation in the region continued to slow, falling to 3.7 percent from 3.8 percent, while food price inflation was unchanged.
- Nominal rice prices rose 7.7 percent in South Asia in October.
- In Afghanistan retail prices for wheat and wheat flour fell by a respective 2 percent and 4.9 percent in expectation of an above-average harvest.
- Rice prices in India rose 18 percent year-on-year.
- India's cereal exports are forecast to decline by 30 percent this marketing year because of higher domestic requirements and anticipated lower output.
- India and Pakistan increased minimum producer prices for wheat to boost production.
- Viet Nam will establish 11 agricultural research parks to develop innovative technologies.

REGIONAL OVERVIEW

FOOD AND REGIONAL INFLATION

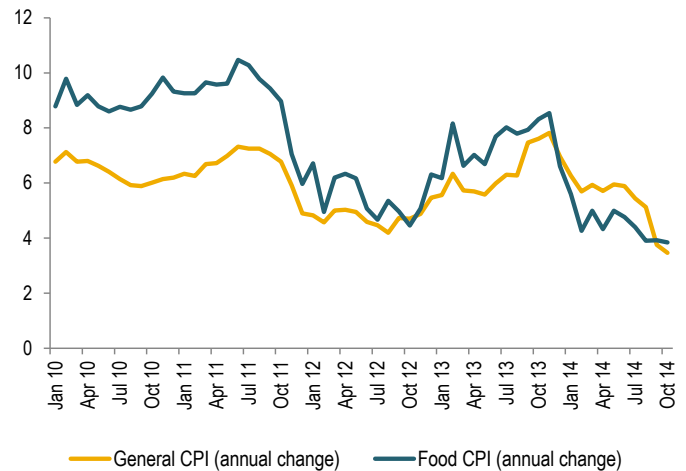
Regional inflation continued to decline during October, decelerating to 3.7 percent from 3.8 percent in September. The pace of food price inflation meanwhile was unchanged from September at 3.9 percent.

Food price inflation in Pakistan was stable in October despite declining prices for several commodities including tomatoes (down 12.1 percent), chicken (4.2 percent), and fresh vegetables (3.3 percent). General inflation slowed on lower prices of kerosene oil and motor fuel. Sri Lanka's food prices were also stable, falling by just 0.2 percent on increased supplies of chicken, fresh fish, potatoes, red onions and green chilies. At the same time, prices of some key commodities increased in October including rice, eggs, and most varieties of vegetables. In the Philippines, prices for several vegetables (bitter melon, eggplant and string beans) were lower on ample supplies, while prices of fruits such as banana and papaya increased as they went out of season.

Indonesia was one country that ran counter to the regional trend, with general inflation rising to 4.8 percent in October from 4.5 percent in September. Inflation was slightly higher than anticipated as the market had already factored in the coming end of government subsidies on fuel that will result in higher prices for petrol and diesel.

In Thailand food prices edged up by just 0.2 percent, although general inflation was lower mainly because retail fuel prices continued to fall. Viet Nam experienced stable general inflation, and more stable prices for essential food commodities, despite higher costs for education and healthcare.

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.

FOOD PRICES

Globally, prices for maize and Thai rice stayed on a downward trend in October, as maize prices fell 0.8 percent and prices for the benchmark Thai 100% B grade 2 white rice were down 1.4 percent. Compared to the previous year, maize was down 18.4 percent and rice down by 4.3 percent in nominal terms. Weakening prices for food commodities in global markets over the past few months reflect an appreciation of the US dollar, good crop prospects, and lower energy costs as a result of lower global oil prices.

Wheat prices, meanwhile, rose by 3.2 percent from the previous month, a rebound after five consecutive months of decreases.

The **regional rice price index**, in nominal terms, declined 2.2 percent in October and was up 3.5 percent year on year. Adjusting for inflation, the real price of rice in the region was 2.1 percent lower than the previous month, and just 0.2 percent lower than last year. Short-term changes in the nominal price of rice were mixed throughout the region with Southeast Asia decreasing by 2.5 percent, South Asia increasing by 1 percent, and India down by 5.1 percent.

Annual nominal prices increased 4.5 percent in Southeast Asia, 4.2 percent in East Asia, 7.7 percent in South Asia, and 0.9 percent in India. These increases were still significant in real terms in the East Asian and South Asian sub-regions where rice prices increased by 2.7 percent and 3.3 percent, respectively. Real prices in Southeast Asia and India were lower compared to last year by 0.5 percent and 5.3 percent, respectively.

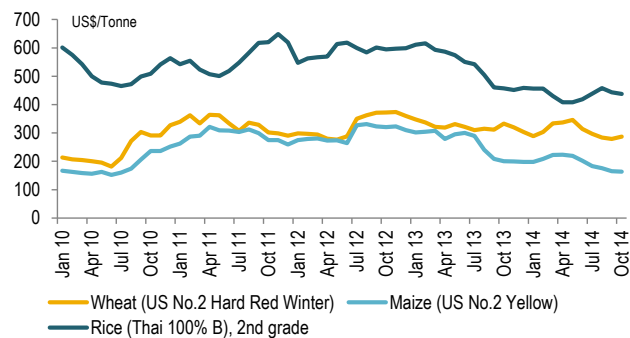
The **regional wheat price index** declined in nominal terms by 0.7 percent during October. Increases were most pronounced in Southeast Asia, up 0.6 percent, while prices in South Asia and India declined by 0.6 percent and 1.9 percent, respectively. The nominal price of wheat in East Asia was up just 0.2 percent from the previous month.

Adjusting for inflation, wheat prices in the region fell an average of 1.2 percent year on year. The price decrease reflected mixed annual trends in the region with increases of 2.6 percent in Southeast Asia, and decreases of 0.8 percent in East Asia, 3 percent in South Asia, and 4.3 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.

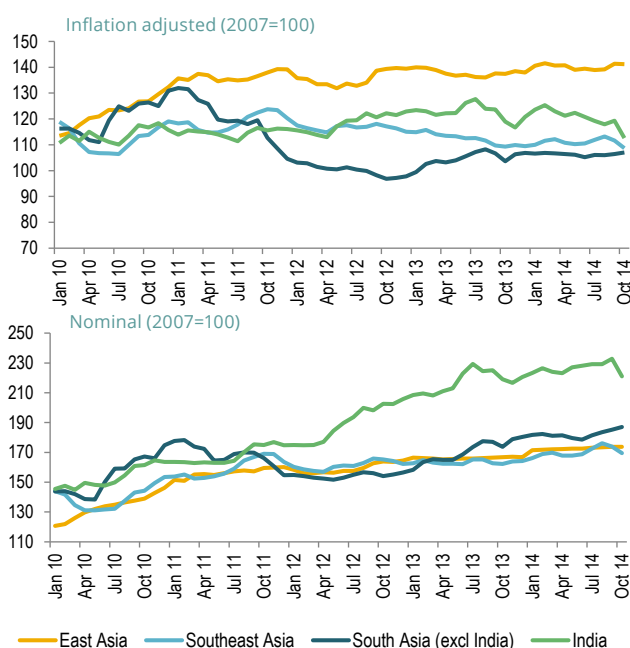
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia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

Global benchmark prices

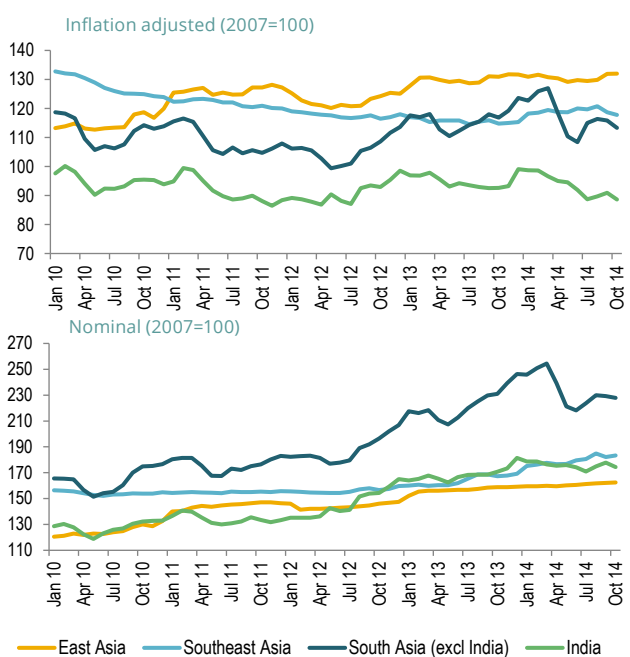


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **Afghanistan** (Kabul markets), retail prices for wheat and wheat flour fell by a respective 2 percent and 4.9 percent in October. The declines were based on expectations of an above-average wheat crop, estimated at about 5.1 million tonnes for 2014, similar to 2013, one of the highest in 35 years. Favourable precipitation during the past winter and improved seed availability were the main factors. Nonetheless, wheat prices were 12.5 percent higher than last year, and wheat flour prices were up 1.2 percent. Afghanistan relies on imports of wheat flour because it lacks efficient milling infrastructure. The pronounced depreciation of the Afghan currency over the last two years amplified price increases.

Prices for rice (high and low quality) and cooking oil, meanwhile, were unchanged from the previous month.

In **India** (Delhi markets), retail prices for rice were up 2.8 percent from the previous month, and 18.1 percent from the same time last year. Increases are likely to be supported by the government's procurement of about 30 million tonnes of rice at a minimum support price higher than the previous year. The 2014 kharif (summer) rice crop, currently in harvest, was forecast to be 2 percent below last year's level because of excessive rains. FAO forecasts 2014 aggregate rice production at 156 million tonnes, 2 percent below the 2013 record output, but 4 percent above the five-year average.

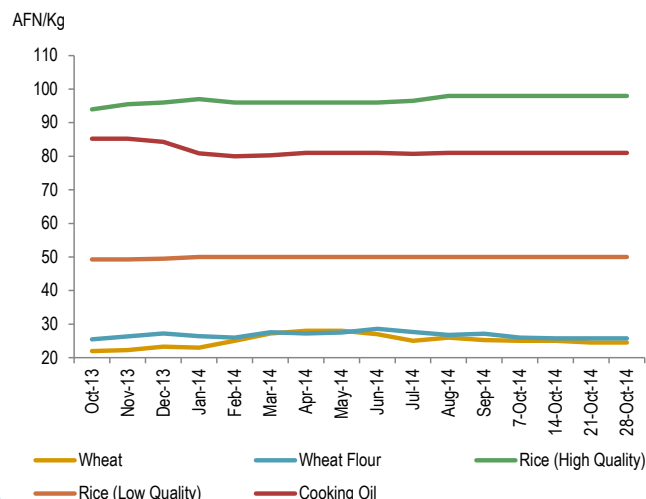
Wheat prices fell by 1.4 percent in October, but wheat flour (atta) rose by 3.8 percent. For the winter wheat crop, the government has approved higher minimum support prices (MSPs) to support production and boost stocking. The MSP price for wheat was set at INR 1 450 per quintal (US\$ 23.50), up 3.6 percent from the previous year. Also, the MSPs for gram, lentil and rapeseed have been increased.

India has been a major cereals exporter during the last three years, but cereal exports for the 2014/15 marketing year (April/March) have been forecast to decline by 30 percent from the high 2013 level. This is attributable to anticipated lower output and large domestic requirements under the National Food Security Act. The Act mandates distributing highly subsidized food staples (rice, wheat and coarse grains) to nearly 800 million people nationwide (75 percent of the rural, and 50 percent of the urban population).

Retail prices for vegetables stabilized in October, following a spike in onions and tomatoes prices in the summer months. Tomatoes prices fell 15.4 percent from the previous month and are now only 5.7 percent higher than at the same time last year. Prices for onions, meanwhile, increased by 4.2 percent from September, but are 50 percent lower than one year ago as a result of government attempts to ensure larger and more stable domestic supply through export and stockpiling restrictions.

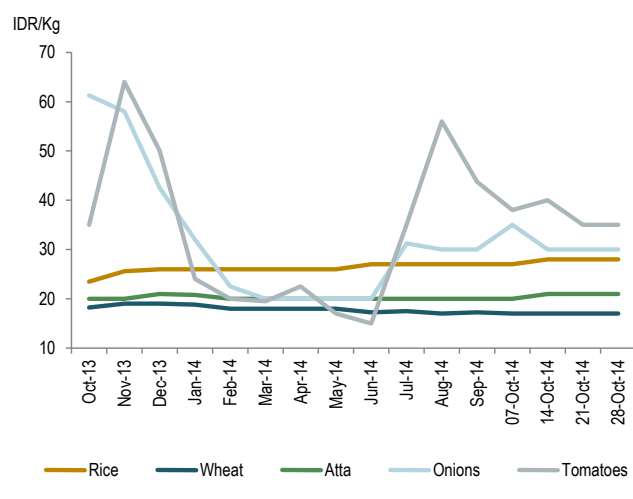
In **Pakistan**, prices for rice (IRRI) were 2.2 percent below September's level and 1.8 percent lower than at the same time last year. Despite heavy monsoon rains in early September that led to severe localized crop losses, the recently released official forecast puts this year's paddy production at 10.1 million tonnes, only 1 percent lower than the 2013 bumper crop and 11 percent above the five-year average.

Afghanistan



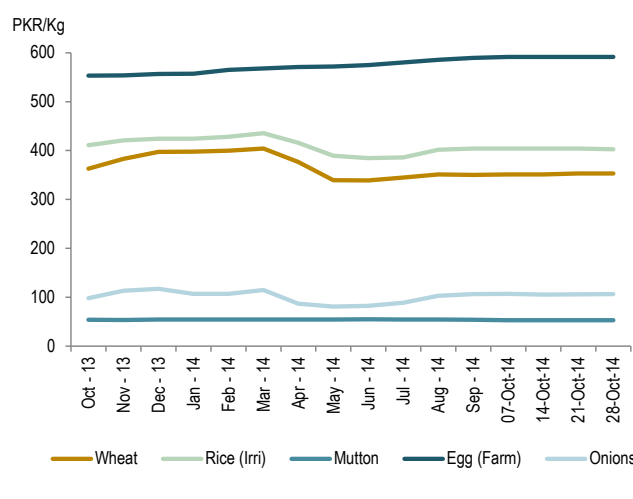
Source: World Food Programme, 2014

India



Source: Minister of Consumer, Food and Public Distribution, 2014

Pakistan



Source: Pakistan Bureau of Statics, 2014

Retail prices for wheat increased 0.6 percent in October, and prices for wheat flour remaining unchanged. Year on year, wheat prices were down 2.9 percent and wheat flour down 1.8 percent. The government increased the wheat support price, effective 1 November, to PKR 1 300 (US\$ 12.78) per 40 kg. It also imposed a 20 percent import duty to discourage wheat imports. These measures are expected to benefit farmers. The wheat support price has increased 180 percent in the last five years.

Retail prices for vegetable commodities were generally lower in October, led by a fall in the price of onions, potatoes, and garlic. Onions were down by 8 percent from the previous month, and 25 percent lower than last year when prices peaked. While prices for potatoes and garlic were down in October, they are still higher than last year by a respective 44.4 percent and 3 percent.

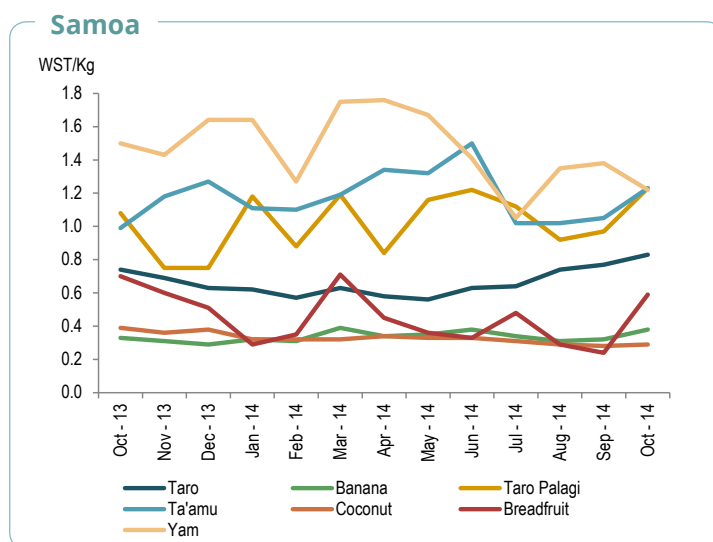
In **Samoa**, the average price of commodities in local markets increased by 9 percent in October, while overall market volume increased by just 1 percent. The large increase in the average price of commodities was in response to a large reduction in local supply for many staple commodities, with the exception of pumpkins and tomatoes whose local availability rose a respective 62 percent and 15 percent from the previous month. Corresponding prices for pumpkins and tomatoes fell by 6 percent and 21 percent per pound in the last month.

Prices for root-related commodities (taro, taro palagi, and ta'amu) also increased in October on more limited supplies. Average prices of taro, taro palagi and ta'amu increased by 8 percent, 27 percent, and 17 percent, respectively. Prices of breadfruits recorded the largest increase over the previous month, up 146 percent on a drop of 80 percent in supply and an 85 percent drop in the number of sellers of the commodity.

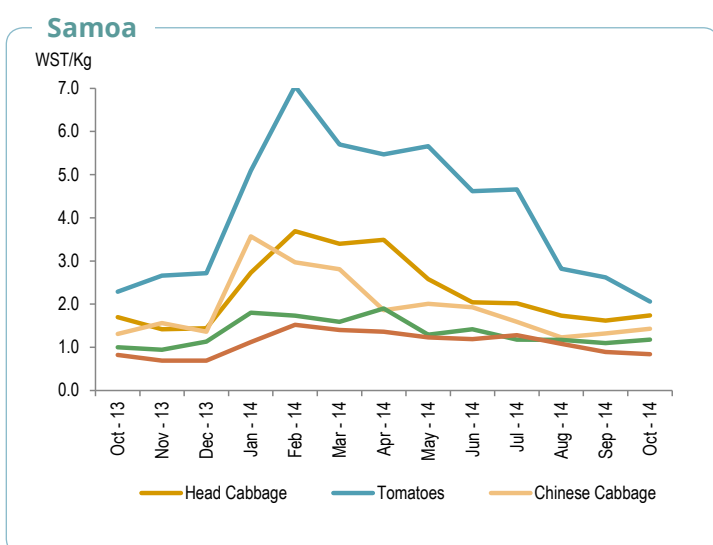
In **Thailand** (Bangkok markets), wholesale prices for rice (25% broken) rose by only 0.9 percent from the previous month. Prices for most varieties of rice have been stable in the past couple of months because of plentiful supplies in both domestic and international markets.

Ample stocks from the record paddy production of 2013, together with the resumption of sales from government warehouses beginning in August 2014, are expected to boost rice exports to 9.6 million tonnes this year, some 45 percent higher than the previous year's lower base and 15 percent higher than the average level of the past five years. FAO forecasts that aggregate production of rice in the country will reach 37.5 million tonnes, slightly lower than last year by 2 percent because of a slight reduction in area planted caused partially by depressed prices.

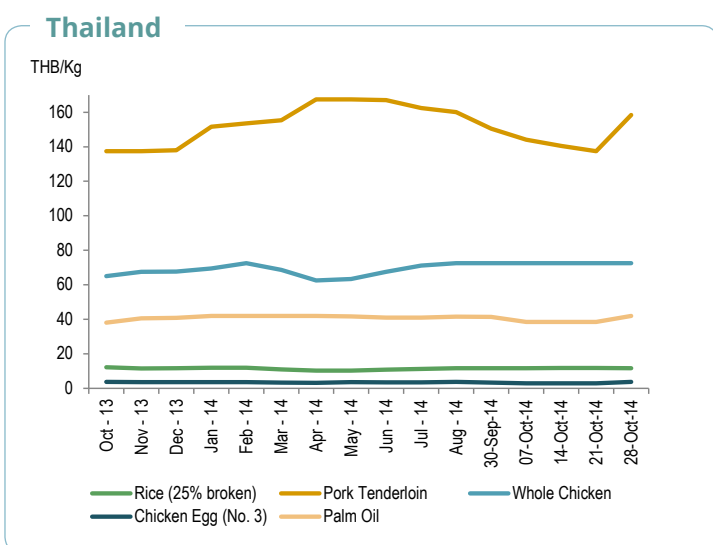
Prices for other main staple commodities have also been lower on average in October, with retail prices for pork and eggs falling 3.5 percent and 6.4 percent, respectively, from September. The declining prices for meat commodities may be in part related to festivities surrounding a second vegetarian festival at the end of October, which lowered demand for meat. Compared to the previous year, pork prices were 5.6 percent higher while egg prices were 15.7 percent lower.



Source: Samoa Bureau of Statistics, 2014



Source: Samoa Bureau of Statistics, 2014



Source: Department of Internal trade, Ministry of Commerce, 2014

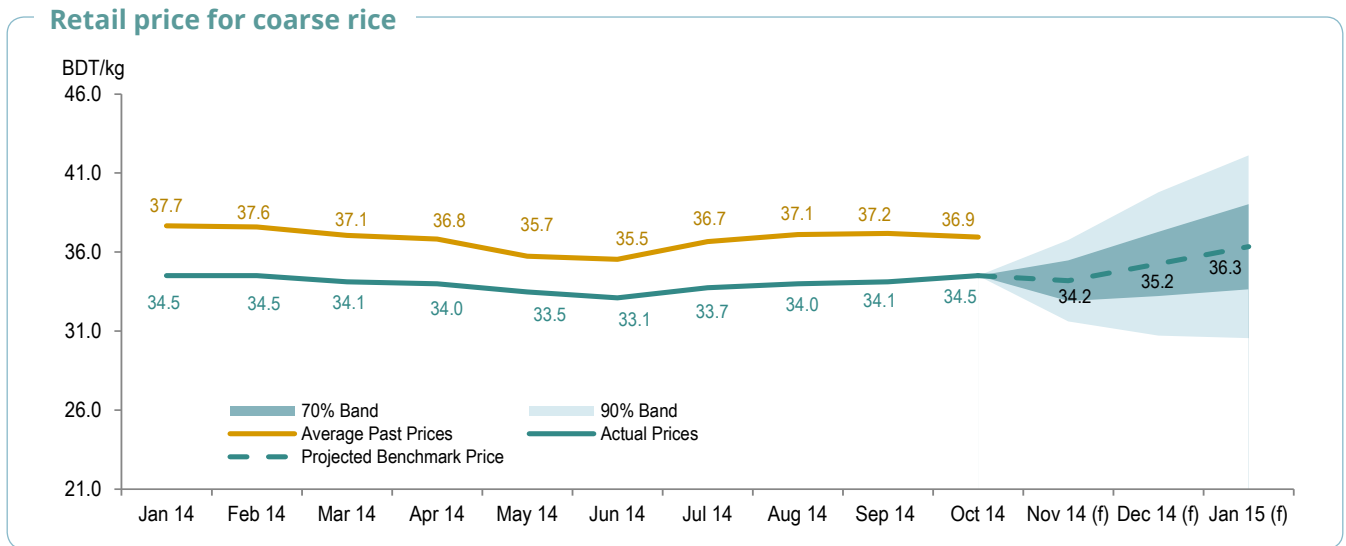
Note: Month-on-month changes are calculated as the price average of the current publication month from the price average of the previous month. Year-on-year changes are likewise reported as the price average of the current publication month from the price average of the same month in the previous year.

PRICE FORECAST

Bangladesh (Dhaka, retail coarse rice)

Retail prices for coarse rice in Bangladesh were BDT 34.5 (US\$ 0.45) per kg in October, an increase of 1.1 percent from the previous month and an increase of 5 percent from October last year. The benchmark future price for November is forecast to be BDT 34.2 (US\$ 0.44) per kg (within a 70% benchmark band of BDT 32.9 – 35.5 [US\$ 0.43 – 0.46] per kg)

a slight decrease of 0.9 percent from October 2014, and an increase of 0.1 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 33.6 – 36.3 (US\$ 0.43 – 0.47) per kg.

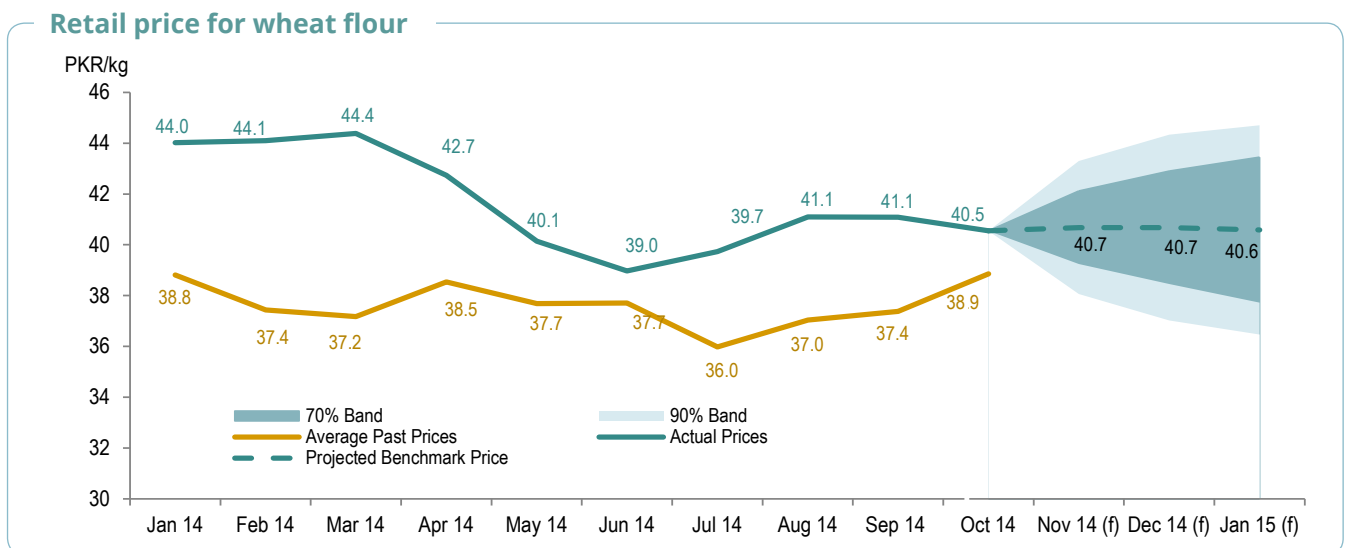


Source: FAO GIEWS and FAO staff calculations

Pakistan (average of five markets, wheat flour retail)

Retail prices for wheat flour in Pakistan were PKR 40.5 (US\$ 0.40) per kg in October, a decrease of 1.3 percent from the previous month and a decrease of 2.3 percent from October last year. The benchmark future price for November is forecast to be PKR 40.7 (US\$ 0.40) per kg (within a 70% benchmark band of PKR 39.2 – 42.1 [US\$ 0.39 – 0.41] per

kg) a slight decrease of 0.3 percent from October 2014, and a decrease of 4.9 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for wheat flour are likely to increase gradually within a benchmark band of PKR 37.7 – 40.6 (US\$ 0.37 – 0.40) per kg.



Source: FAO GIEWS and FAO staff calculations. Note: Five markets include Karachi, Lahore, Multan, Peshawar and Quetta

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

Bangladesh will procure 300 000 tonnes of rice from the ongoing *Aman* crop (April - December), increasing the procurement price to BDT 32 per kilogram (US\$ 0.41) from BDT 30 per kilogram (US\$ 0.39). The procurement will run from 15 November 2014 to 28 February 2015. The procurement of *Boro* rice was closed on 15 October at 1.05 million tonnes.

The National Development and Reform Commission of **China** announced on 16 October that the 2015 purchase price for domestic wheat would remain unchanged at CNY 2 630 per tonne (US\$ 429). China has set minimum purchase prices for wheat and rice since 2004, and the government buys grain from farmers if market prices drop below them.

The Agriculture Ministry of **Fiji** has put in place strategies to lessen the impacts of the prolonged dry spell affecting most parts of the country, including the purchase of water pumps/irrigation systems and water tanks, and provision of supplementary feeds to animals.

The Government of Odisha, **India's** seventh largest rice-producing state, has approved a large-scale rice hybrid-seed production scheme covering 12 000 hectares to help boost productivity for the upcoming *Rabi* season (November to March). The government will engage private seed companies while encouraging farmers to participate by providing them with subsidies of about INR 20 000 per hectare (US\$ 324).

Following heavy rains that flooded about 150 000 acres of paddy fields in August, the government of **Myanmar** is providing compensation to farmers of MMK 12 000 (US\$ 11.66) for each damaged acre, in addition to a financial contribution of MMK 1.05 billion (US\$ 1.02 million) to support relief activities.

The **Nepal** Agricultural Research Council (NARC) has signed a five-year (2014-19) Rice Research Strategy with the Philippines-based International Rice Research Institute (IRRI) to strengthen rice research and increase rice production. The strategy aims to increase yields per hectare by at least 3 percent each year for the next 25 years, more than doubling the current yield of 3.2 tonnes per hectare to around 6.7 tonnes per hectare by 2030. The strategy entails 14 research projects.

Pakistan, the fourth largest producer of cotton in the world, has announced a seed cotton support price of PKR 3 000 per 40 kg (US\$ 0.34 per pound) for the upcoming harvest, a significant increase over the prevailing farm price of US\$ 0.26 per pound. The state-run Trading Corporation of Pakistan will purchase up to one million 170kg bales at the established rate to support prices, which have recently dropped below the cost of production. To further improve export volumes, the government has recently launched Cotton Vision 2015, a strategy to boost production to 20 million bales over the next four years.

The **Philippines** Government has earmarked PHP 86.1 billion (US\$ 1.9 billion) for the Agricultural Development Program in 2015, designed to ensure food security and improve self-sufficiency in rice. The funding will be used to boost rice production and improve irrigation and drainage areas in the top 33 rice-producing provinces. It will also strengthen research and development, credit services and construct farm-to-market roads. An amount of PHP 6.02 billion (US\$ 133 million) has been budgeted for the Bureau of Fisheries and Aquatic Resources, a 28 percent increase, mainly for the construction of 252 fish landings.

Thailand is outlining measures to protect rice farmers from falling prices, as well as to increase productivity in a more sustainable way. The government will focus on agricultural-land zoning systems to ensure that production of various crops, including rice, is on par with market demand. It will develop support programmes tailored to different types of farmers such as smallholders, large farmers, technology and machinery equipped-farmers, and tenant farmers. The National Rice Policy Committee will encourage farmers to delay selling 2 million tonnes from the upcoming 2014/15 harvest by offering them soft loans. The delay is expected to support the price.

The Ministry of Agriculture and Rural Development of **Viet Nam** will set up 11 parks across the country by 2020 to conduct research and produce innovative agricultural technologies. The hi-tech agricultural parks will be built in eight regions and undertake scientific and technological activities, trainings and human resource development.

Trade and market policies

The state logistics agency of **Indonesia**, Bulog, has signed contracts with Thailand and Viet Nam to import around 425 000 tonnes of rice this year. Bulog was authorized to import around 500 000 tonnes of rice after the Central Statistics Agency estimated paddy rice production in 2014 will decline by 2 percent from the previous year, to about 69.8 million tonnes.

The **Myanmar** Rice Federation plans to open several warehouses for rice traders to store the grain, which can be used as collateral for bank loans. The system would alleviate the need to sell rice immediately, even if prices are low.

Sri Lanka has signed an agreement with Australia to import 20 000 milk cows under a programme to achieve self-sufficiency in liquid milk by 2016. Furthermore, the Livestock Development Ministry announced a programme to improve the use of water buffaloes and the adoption of modern machinery to support dairy sector growth. Sri Lanka currently produces only 42 percent of the milk consumed in the county, and spends US\$ 300 million a year on milk imports.

Sources of policy information: Ministry of Food and Oryza (Bangladesh), Ministry of Agriculture (China), Government of Fiji (Fiji), Press Bureau of India and Oryza (India), USDA and Oryza (Indonesia), MyanmarTimes (Myanmar), Oryza (Nepal), USDA, The Nation and Dawn (Pakistan), Department of Agriculture (Philippines); PresInform (Sri Lanka); IGC and National News Bureau (Thailand), Vietnamnet (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

Rising grain output has made Asia more food secure

The United States Department of Agriculture (USDA) reported that the percentage of food insecure people in Asia fell from 23 percent in 2000 to 8.5 percent in 2014 in the International Food Security Assessment 2014-2024 last month. The report credited steadily rising grains output as a major factor, saying that grains yields have increased on average 2.8 percent a year since 2000, while population growth has averaged 1.5 percent a year. The region imports only about 7 percent of its grain supplies. This positive trend in per capita output has contributed to an improved food security situation.

The report examines 22 countries in the region, and found that 17 are food secure by its standards. The document predicts that food security will improve in three of the most food insecure nations in Asia. In Afghanistan, expected higher yields due to improved seed availability by the private sector and provision of seed subsidies will lead to greater grain output at a rate surpassing population growth. In the Democratic Republic of Korea, the percentage of the food insecure population is projected to drop from 70 percent this year to 40 percent in 2024 due mainly to slower projected population growth of 0.4 percent per year. Mongolia is projected to be mostly food secure in 2024. Much of the improvement is due to low population growth, which is projected to be exceeded by grain output growth by roughly 1 percentage point per year.

FAO also reported the percentage of undernourished people in Asia fell from 23.7 percent in 1990-92 to 8.5 percent in 2012-14, in its annual *State of Food Insecurity in the World* report. FAO estimates the hunger target of the Millennium Development Goals is within reach as the proportion of undernourished people in developing countries has fallen, even though 805 million people are still estimated to be chronically undernourished in 2012-14.

Sustainable intensification of maize-based cropping systems will help achieve food and feed security

More than 300 experts convened in Bangkok last month at the 12th Asian Maize Conference and Expert Consultation on Maize for Food, Feed, Nutrition and Environment Security. The event, which was organized by the Asia-Pacific Association of Agricultural Research Institutions (APAARI), International Maize and Wheat Improvement Center (CIMMYT), FAO, and the Department of Agriculture (DOA)-Thailand, concluded the need for countries to sustainably intensify efforts to double maize production and productivity and strengthening maize value chains to meet the rapidly rising demands on maize for food, feed and industrial uses.

Maize demand is forecast to increase by 20 percent over the next ten years and double by 2050 in the Asia-Pacific region, according to FAO and the Organization for Economic Cooperation and Development. Most of that increase will be needed for animal feed. Demand for meat, eggs and dairy products, has been increasing rapidly in middle income countries. Maize is also widely consumed by people, in particular among poorer rural households.

Although production has increased rapidly in recent years in Asia-Pacific there is significant scope for further increase, especially through development and deployment of high-yielding and climate-resilient cultivars. Farmers need greater access to quality seed of improved varieties through public-private partnerships. Up-scaling precision-conservation agriculture and climate-smart practices and creating an enabling policy environment are required for sustainable intensification of maize-based cropping systems. Greater investments on research and development will be essential for the region to increase production and productivity and to meet the increasing demands for maize, in an environmentally sustainable manner.

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

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