



ASIA PACIFIC FOOD PRICE AND POLICY MONITOR

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HIGHLIGHTS

- The Consumer Price Index for Food in the Asia-Pacific region rose by 6.9 percent year-on-year in January, a slight decrease compared to previous months. Slowing food prices in China, India and Pakistan helped blunt the overall rate of inflation in the region.
- In real terms, rice prices around the region rose 1.4 percent last month, but were still 0.4 percent lower than at the same time last year. Wheat prices fell by 0.3 percent compared to the previous month but were 2.2 percent higher than one year ago.
- In Afghanistan (Kabul), prices for low-quality rice rose 19.1 percent year-on-year, while high-quality rice prices rose by 18.3 percent. To help stabilize prices, the government opened the first of several planned Strategic Grain Reserves.
- In China, the government's first policy document of the year focused on agriculture development and food security. Key strategies for 2014 include reforming the pricing/subsidies mechanisms in place for several agricultural commodities and supporting agricultural markets development.
- Indonesia's state-run logistics agency, Bulog, has allocated 350 000 tonnes of rice for distribution to those affected by the eruption of Mount Sinabung. Officials expect heavy damage to agriculture in the area because of volcanic ash.
- Farmers in Thailand protested against delayed payments under the government's rice-pledging programme, while a Chinese state company cancelled a contract to import 1.2 million tonnes of Thai rice.

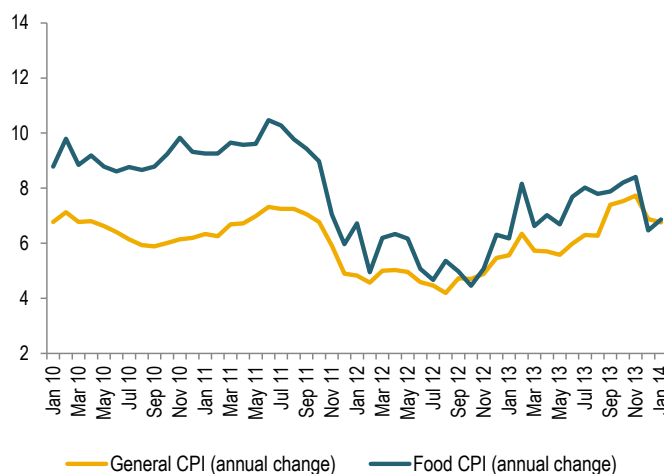
REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

Compared to recent months, the pace of price rises around the region slowed slightly in January 2014, with the region's Consumer Price Index (CPI) growing by 6.8 percent and the Food CPI increasing by 6.9 percent from the same month in the previous year (estimated). The decline in the rate of price rises was helped by Pakistan, where inflation was at its lowest levels in four months because of falling food prices and more stable fuel prices, and China, where prudent monetary policy measures succeeded in slowing inflation.

The deceleration in the region's food price inflation was aided by India, where vegetable prices fell, particularly for onions and potatoes, for which prices had soared in recent months, and Bangladesh, where increased political stability has allowed a more regular flow of food imports, resulting in decreasing prices. Nonetheless, food inflation was still significant across the region as food prices remained high in the Philippines following Typhoon Haiyan, prices rose in Thailand in anticipation of Chinese New Year celebrations, and a range of commodities were more costly in Indonesia, including meats, fish, chicken, eggs and vegetables. Heavy rainfall and floods in Indonesia were contributors to slowed supply chains.

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.

FOOD PRICES

Global benchmark prices registered declines for wheat, maize, and rice over the New Year, led by a month-on-month decrease of about 5 percent for wheat and 3.2 percent for rice. The recent declines are in line with the trend of falling prices that began in the middle of 2013. Overall, the price of wheat, maize, and rice are 17 percent, 34.6 percent, and 27.4 percent lower than during the same period in 2013.

This trend was consistent with the FAO Food Price Index in January 2014, which declined 1.3 percent from December and 4.4 percent below January last year.

The **regional rice price index** increased in real terms from the previous month by 1.4 percent, but compared to the same period last year declined slightly by 0.4 percent. Rice prices across the region rebounded from the previous month following significant decreases in the fourth quarter of 2013. The strongest rebound was in China, where rice prices grew 2.6 percent from a month earlier. Despite the modest month-on-month price rises, the year-on-year decline was led by Southeast Asia where prices fell by 4.1 percent, pushed downward by the decreasing prices for Thai rice following continuous stocks releases.

In nominal terms, the regional rice price index rose 1.7 percent from the previous month, and increased 5.4 percent from the same period in the previous year.

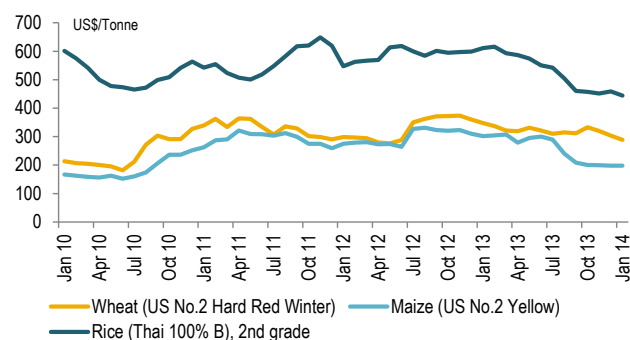
The **regional wheat price index** decreased overall in real terms by 0.3 percent from the previous month, but increased by 2.2 percent compared to the same period during the previous year. Despite the slight month-on-month fall, the Southeast Asia index rebounded from long term declining trends, rising by 2.9 percent from the previous month and 1.4 percent from the previous year. Indonesia, where wheat is a key import and has historically been more susceptible to increases in international prices, led the regional trend of rising prices. The real wheat price index was additionally influenced by price changes in East Asia and India, where prices rose by 3 percent and 4.2 percent from the previous year, respectively.

In nominal terms, the regional wheat price index remained virtually unchanged from the previous month, increasing just 0.2 percent, but rising by 4.9 percent compared to the same period during the previous year. Year-on-year prices rose in all sub regions, with increases of 9.5 percent in East Asia, 9 percent in Southeast Asia, 12.9 percent in South Asia and 4.9 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.

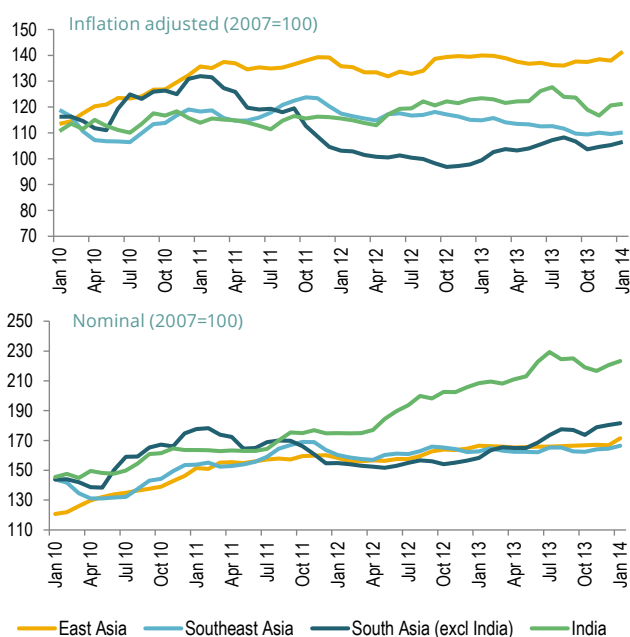
Note: Prices in US dollars (US\$) are converted from local currencies using the average exchange rate for the corresponding month of publication supplied by the IMF International Financial Statistics.

Global benchmark prices

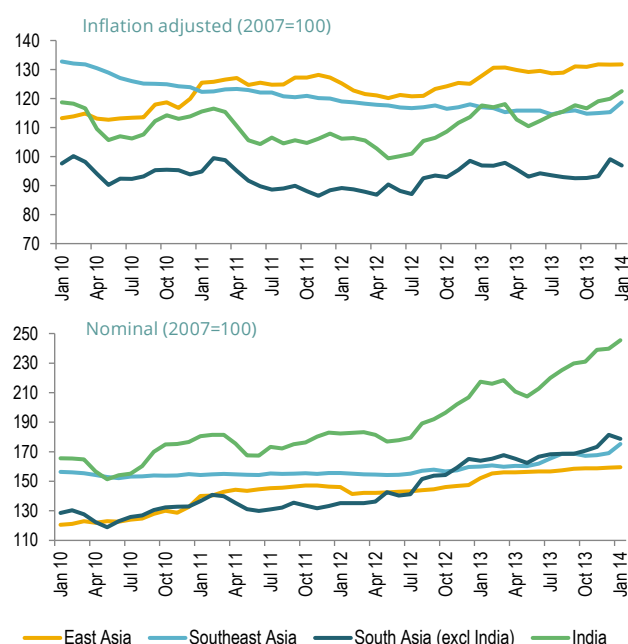


Source: FAO, International commodity prices

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), rice, the second most consumed grain after wheat, registered the largest price increases in the food basket, as low-quality strains rose by 19.1 percent and high-quality rice increased by 18.3 percent from the previous year. Rice prices began rising in the fourth quarter of 2013 and have continued since then. Rice prices in Kabul closely correspond to rice prices in Pakistan, as markets in Kabul and neighboring cities along the Afghan border source their rice from Pakistan, where prices have also been rising.

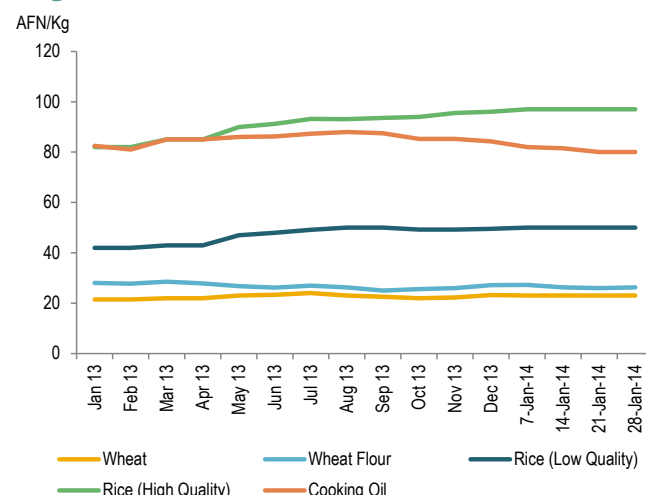
Wheat and wheat flour prices slightly declined compared to January. The 2013 wheat harvest totaled 4.9 million tonnes, slightly below the record level set in 2012, although output varied widely in different provinces. Despite bumper harvests, Afghanistan still needs to import wheat flour because of insufficient domestic milling capacity. FAO is forecasting that the country will need to import 1.4 million tonnes of cereals, mainly wheat, in the current marketing year of July 2013 through June 2014. That would be about 12 percent higher than last year, but 30 percent less than the five-year average.

To stabilize food prices and supplies, the Ministry of Agriculture, Irrigation and Livestock is collaborating with the World Food Programme and FAO to set up a network of long-term Strategic Grain Reserves across the country to hold a total of 200 000 tonnes of food. The first reserve, with a 22000-tonne capacity, was opened in late 2013 in Kabul.

In **India** (Delhi markets), retail prices for onions and tomatoes, two of the most-consumed vegetables in the country, continued to decline significantly over the past month, falling 31 percent and 55.9 percent, respectively. While the decline has been steep, prices are still 29.2 percent and 57.5 percent higher than the previous year. In late December, prompted by falling prices, the government decreased the Minimum Export Price (MEP) for onions to US\$ 150 per tonne from the US\$ 350 per tonne set on 19 December. The MEP had been raised several times during the last half of 2013 to spur an increase in domestic supplies and prevent further price hikes. The MEP reached US\$ 1 150 in November, and onion exports dropped substantially. The recent reductions in the MEP were intended to stimulate exports.

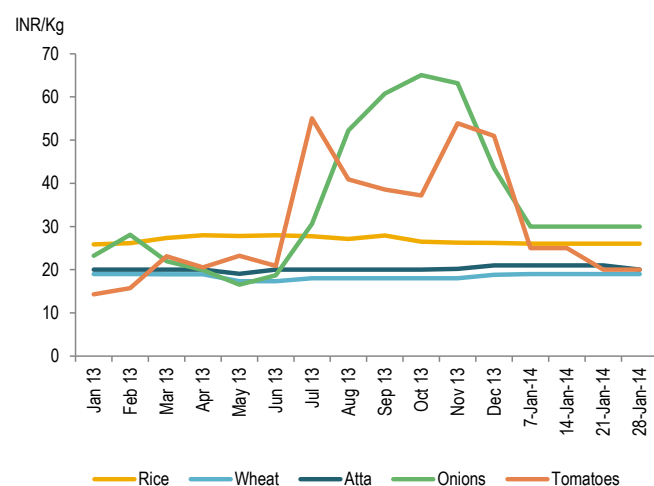
Prices for rice and wheat remained stable. On 28 November, the Cabinet extended the stockholding limits imposed on rice up to 30 November 2014. The extension is intended to prevent hoarding and to ensure stable prices. Stocks meant for export are exempt from the holding limit. In late January, the Finance Ministry excluded milled rice from the "agricultural produce" category, making it ineligible for exempting the service tax of 12.4 percent on transport and storage. The move, yet to be ratified, could push milled rice prices up, although rice distributed by the Food Corporation of India through the Public Distribution System would not be affected as its price is fixed. Rice for export will not be taxed on transportation to port of loading, as the government recognises this as a key source of revenue for the country. India has been the world's largest rice exporter since 2012, after removing its export ban on rice in 2011.

Afghanistan



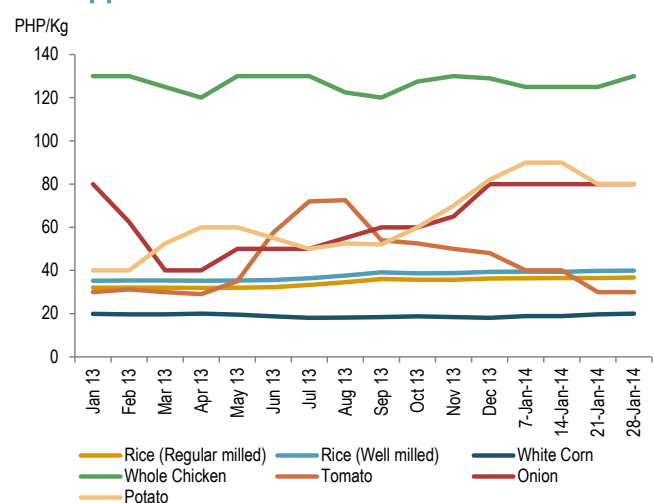
Source: World Food Programme, 2014

India



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

Philippines



Source: Bureau of Agricultural Statistics, Department of Agriculture, Philippines, 2014

In the **Philippines**, the price of rice, a staple food in most of the country, increased slightly from January by 0.7 percent for regular milled and 0.9 percent for well milled varieties despite production losses caused by Super Typhoon Haiyan. A report released on 7 January by the Department of Agriculture set the total cost of paddy crop losses at US\$ 77.3 million. The UN Office for the Coordination of Humanitarian Affairs (UNOCHA) estimates that about 80 percent of the 44 000 rice farmers in need of assistance have received help from the Government, mainly in form of seeds.

Prices for onions and potatoes remained relatively unchanged from the previous month following a dramatic upward trend that began in October 2013. While prices for onion are now in line with prices from last year, the prices of potatoes are nearly 112 percent higher than one year ago. The price for tomatoes continued to slide, falling 27.1 percent from the previous month and reaching levels comparable to those at this time last year

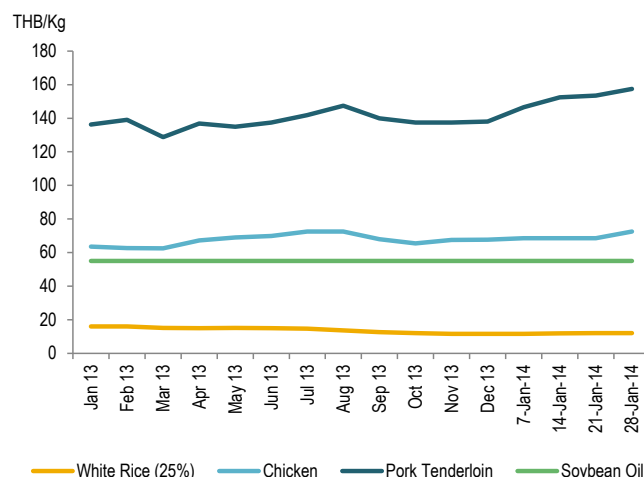
In **Thailand** (Bangkok markets), the world's third-largest rice exporter last year, wholesale prices for 25% broken rice rebounded by 2.2 percent from the previous month, following declines that stretched through all of 2013. Overall prices for rice are 25.8 percent lower than last year. In November and December, the National Rice Policy Committee approved the sale of rice stocks through government-to-government deals, futures auctions and private sales. The move is aimed at creating storage space for rice from the new harvest and raising money to pay farmers for rice they already pledged. The programme is set to continue despite the dissolution of the House of Representatives.

The price of pork (tenderloin) jumped significantly in January, rising 10.5 percent from the previous month. According to local media sources, rising pork prices are likely the result of a supply shortage coupled with increased demand during the Lunar New Year festival.

In **Samoa**, average retail prices for the staple foods taro, breadfruit, and cabbage weakened in December as prices fell 8.7 percent, 15 percent, 85.9 percent and 12.8 percent, respectively, from the previous month. Falling prices were driven by significant increases in availability and a greater number of sellers since last year when Cyclone Evan caused extensive damage. The fall, however, was countered by a strong increase in the retail prices of yams and cucumbers, which grew 14.7 percent and 20.2 percent, respectively, from the previous month. Demand for those vegetables were strong, even though their availability in the market increased.

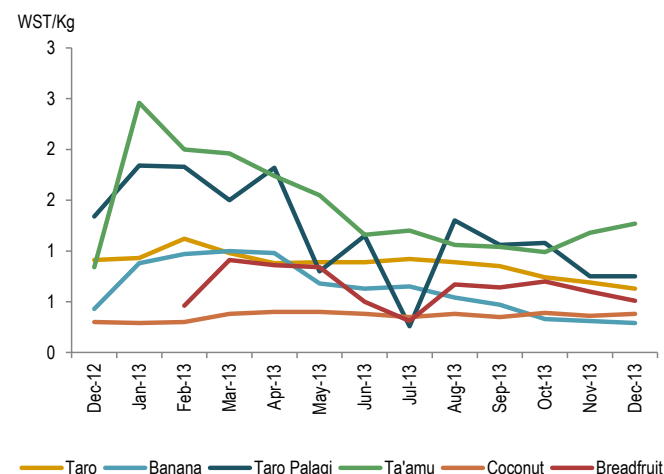
Prices for bananas, taro palagi, head cabbage, and pumpkins also fell significantly from last year, dropping by as much as 32.6 percent, 44 percent, 48.2 percent and 51.8 percent, respectively, in January. Greater local availability and a larger number of sellers pushed prices down. Ta'amu and coconut prices also rose significantly compared to one year ago, increasing by 51.2 percent and 26.7 percent, respectively.

Thailand



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

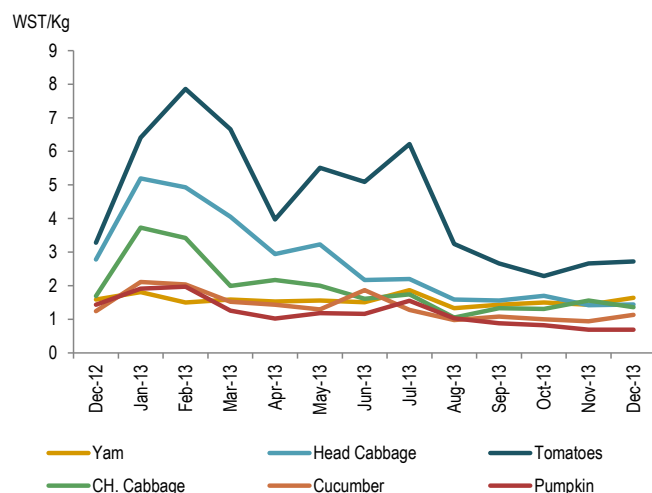
Samoa



Source: Samoa Bureau of Statistics, 2014

Note: Breadfruit prices unavailable for January 2013

Samoa



Source: Samoa Bureau of Statistics, 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.

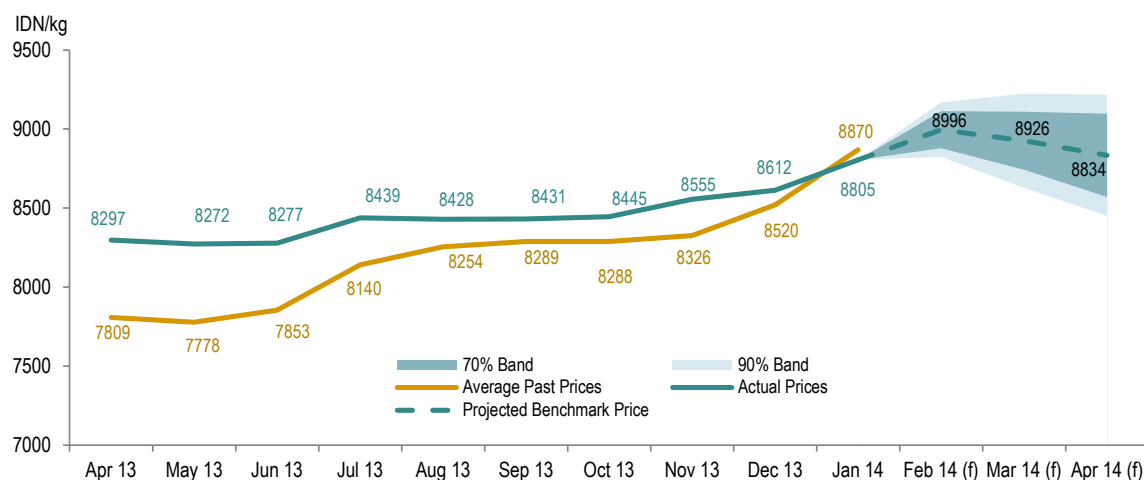
PRICE FORECAST

Indonesia (nat. average, medium-quality rice, retail)

Retail prices for medium-quality rice in Indonesia were IDN 8 805 (US\$ 0.72) per kg in January, an increase of 2.2 percent from the previous month and an increase of 5.2 percent from January last year. The benchmark future price for February is forecast to be IDN 8 996 (US\$ 0.74) per kg (within a 70% benchmark band of IDN 8 878 – 9 113 [US\$ 0.73 – 0.75]

per kg) a slight increase of 2.2 percent from January 2014, and an increase of 6.9 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to increase gradually within a benchmark band of IDN 8 569 – 9 097 (US\$ 0.70 – 0.75) per kg.

Retail price for rice



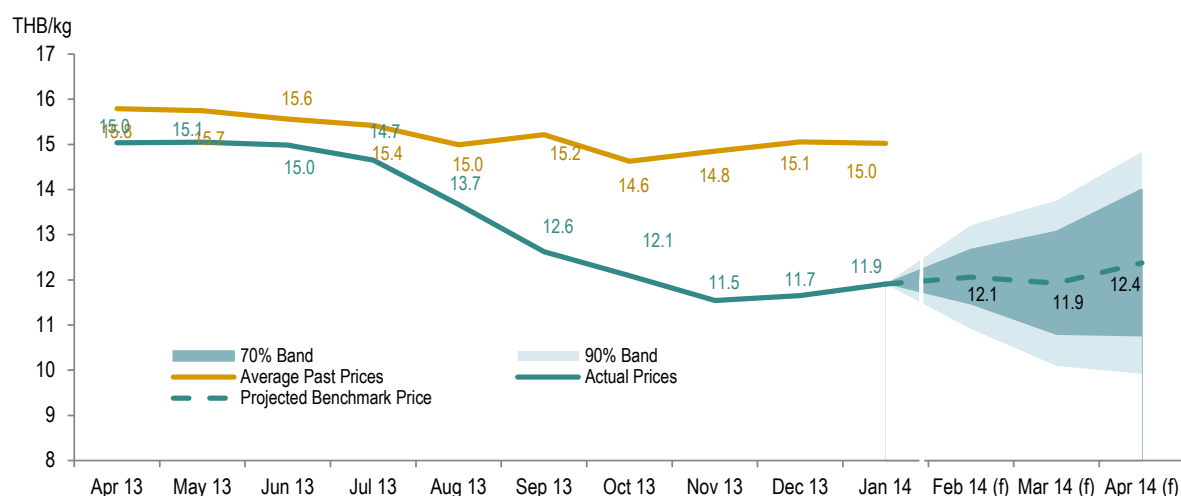
Source: FAO GIEWS and FAO staff calculations

Thailand (rice, 25% broken, wholesale)

Retail prices for rice (25% broken) in Thailand were THB 11.9 (US\$ 0.36) per kg in January, an increase of 2.2 percent from the previous month and a decrease of 25.8 percent from January last year. The benchmark future price for February is forecast to be THB 12.1 (US\$ 0.37) per kg (within a 70% benchmark band of THB 11.5 – 12.7 [US\$ 0.35 – 0.39] per

kg) a slight increase of 1.3 percent from January, and an overall decrease of 24.5 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice (25% broken) are likely to increase gradually within a benchmark band of THB 10.7 – 14 (US\$ 0.32 – 0.42) per kg.

Retail 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

India's Cabinet Committee on Economic Affairs has approved the implementation of the National Programme for Bovine Breeding and Dairy Development with a total allocation of INR 18 billion (US\$ 289 million). The programme focuses on extension of the Field Artificial Insemination network, development and conservation of indigenous breeds and establishment of breeders' associations. The Cabinet has also approved the continuation of the Dairy Entrepreneurship Development Scheme with an outlay of INR 14 billion (US\$ 225 million) to generate self-employment opportunities in the dairy sector. It includes activities such as enhancement of milk production, transportation, processing and marketing.

The Agricultural Promotion Bank of **Lao PDR** announced the release of LAK 8 billion (US\$ 1 million) of loans to local farmers in Champasak province during the dry season (November-April) with the aim to boost agricultural production with a focus on rice, tobacco and other cash crops.

The Ministry of Finance of **Sri Lanka** announced the creation of a Fertilizer Distribution Centre and a Fertilizer Warehouse for all 554 Agrarian Service Centres nationwide. The objective is to improve the current methodology of distributing fertilizer and to ensure adequate supplies to farmers at the subsidized price fixed by the government.

Trade and market oriented policies

In **China**, the government's first policy document of the year focused on agriculture development and food security, as has been the custom for the past 11 years. The document lists key strategies and plans related to agriculture, rural areas and farmers for 2014. It vowed to improve national food security while reforming the pricing/subsidies mechanisms in place for several agricultural commodities. High priority was given to innovation in agricultural technology and development of agricultural markets. Rural land reform will be pushed forward in order to promote a modern agricultural system with larger-scale production. The document also calls for a more innovative approach to the rural finance and agricultural insurance system.

The Government of **India** has approved an allocation of about INR 11 billion (US\$ 180 million) for continuation of the Agriculture Export Promotion Plan Scheme of Agricultural and Processed Food Products Export Development Authority (APEDA). The aim of the scheme is to support exporters of agricultural products by providing infrastructure, transport assistance and marketing facilities. In addition, the Cabinet Committee on Economic Affairs approved the implementation of an integrated scheme on agricultural cooperation with an outlay of INR 9.2 billion (US\$ 148 million). The scheme will help streamline the cooperatives marketing structure, support capacity building and manpower development, enable cooperatives to have storage/cold storage facilities and improve activities in related areas such as dairy and poultry production, and fishery.

The Government of India has raised the Fair and Remunerative Price (RFP) that sugar mills must pay to farmers for the 2014-15 season to INR 220 (US\$ 3.5) per quintal, from INR 210 for 2013-14. The RFP recommended by the government has almost tripled in the last ten years. In addition, the government will provide financial assistance to the sugar industry through an interest subvention up to 12 percent for the loans provided by the banks to the sugar mills for payments to farmers for sugarcane.

According to some media reports, **Indonesia's** state-owned logistics agency (Bulog) has set a target of 3.85 million tonnes of rice to be procured from farmers in 2013-14, up about 6 percent from the 3.62 million tonnes of rice procured in 2012-13. The agency is targeting higher procurement of rice this year to prepare for contingencies and possible higher allocations under the public distribution system. Bulog requires about 3.4 million tonnes of rice annually for different food distribution programmes run by the government.

On 23 November 2013, the Economic Coordination Committee (ECC) of **Pakistan** increased the support price for wheat from PKR 1 050 (US\$ 9.9) to PKR 1 200 (US\$ 11.4) per 40 kg. The support price is the minimum price at which wheat is bought from the farmers by the government. This price was increased 15 percent in 2013, and 185 percent over the last five years. The ECC also decided to make the price of both imported and locally manufactured urea sold to farmers uniform at PKR 1 786 (US\$ 16.9) per bag. To ensure prices are uniform the government will provide a subsidy of PKR 741 (US\$ 7) per bag. The aim of the move is to eliminate corruption arising from exploitation of the difference in prices of imported and local urea.

In a bid to raise more money for payments under the rice pledging scheme, the **Thailand** Bank of Agriculture and Agricultural Cooperatives (BAAC) held a bond auction on 16 January raising THB 32.58 billion (US\$ 988 million), more than the targeted THB 20 billion (US\$ 607 million). In addition, the Cabinet approved the public debt restructuring plan which allows the government to borrow THB 143.24 billion (US\$ 4.3 billion) to pay rice farmers, but the move required approval from the Council of State. The rice pledging scheme continues to suffer from financing issues, with farmers stepping up protests against delayed payments (see page 6).

Consumer oriented policies

In **Indonesia**, in light of Mount Sinabung's recent volcanic eruptions, the state-run logistics agency (Bulog) has allocated 350 000 tonnes of rice to help those affected by the disaster. Bulog indicated that the country's rice reserves would be sufficient to meet the needs of those displaced for another eight months. More than 26 000 people have been evacuated. Authorities also reported that the agriculture sector may have suffered heavy damage, with crops buried and poisoned by ash.

Sources of policy information: WFP News (Afghanistan); Ministry of Agriculture (China); Information Press Bureau and Oryza (India); Live Rice Index (Indonesia), Lao News Agency (Lao PDR); Associated Press of Pakistan and Global Trade Alert (Pakistan); Department of Agriculture (Philippines); PressInform (Sri Lanka); National News Bureau and Oryza (Thailand). 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

Thai farmers protest over delayed payments from government

Farmers in several provinces in Thailand blocked highways and held demonstrations to protest against delayed payments for rice handed over to the government months ago under its rice-pledging programme. Farmers claim they have not been paid for rice deposited at warehouses since October. The rice-pledging programme, in which the government has been buying all rice from farmers at prices as much as 50 percent above market prices, has run over budget. By 5 January, the government had received paddy pledges from 1.7 million farmers totalling 9.9 million tonnes for the main crop (1 October 2013 - 28 February 2014). Prime Minister Yingluck Shinawatra vowed publicly that all farmers will be paid for their rice. Yingluck dissolved parliament in December because of street demonstrations against her administration, mainly in Bangkok, over issues not related to the rice programme. Her government is now a caretaker government and is legally prevented from taking on new debts. The government has been seeking loans to pay the farmers, but commercial banks have been reluctant to lend for the programme.

Meanwhile, a Chinese state company cancelled a contract to import 1.2 million tonnes of rice from Thailand after Thailand's National Anti-Corruption Commission announced it was investigating the programme and the contract. In response, the Ministry of Commerce said it

would begin accepting tender offers for 400 000 tonnes of rice in its warehouses. Reuters cited industry experts in estimating that the Thai government may have as much as 15 million tonnes of unsold rice in warehouses.

Regional rice strategy to be presented in March

A regional rice strategy will be presented at the biennial FAO Regional Conference for Asia and the Pacific this March in Mongolia, following a meeting held in Thailand of senior government officials and development partners. The "Consultative Meeting on Rice Strategy for Asia and the Pacific," hosted by FAO at the end of January, attracted more than 40 participants from some 17 countries in the region and representatives from development partners.

The participants considered the contents of a draft "Rice strategy for sustainable food security in Asia and the Pacific region." The draft was developed in response to a 2012 request from FAO member states for the organization to formulate a strategy that would benefit producers and consumers, as well as exporters and importers of Asia's staple grain. Participants recognize that each country must formulate and implement a national rice strategy appropriate for its needs and situation. Member countries will be urged to consider from among the strategic options contained in the regional rice strategy those that will best lead to a coordinated development of their rice sectors.

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

Hiroyuki Konuma
Assistant Director-General and Regional Representative for Asia and the Pacific