



HIGHLIGHTS

- Food price inflation in the region slowed to 3.8 percent in August from 4.4 percent in July. General inflation eased to 5.1 percent compared to 5.5 percent.
- Following the fifth consecutive monthly decrease in the FAO Global Food price index, wheat prices fell 4.5 percent, maize fell 4 percent while rice prices rose by 4.3 percent in August.
- Pork rump prices in China, the world's largest pork consumer, rose 4.9 percent in August following a decline in the population of breeding sows and higher consumer demand.
- The price of eggs rose 16 percent in Pakistan and 9.9 percent in Thailand in August as a result of higher seasonal demand in the autumn.
- Cambodia has established its first large-scale paddy rice bank to ensure supplies are available during periods of unpredictable weather.
- Myanmar announced a new national export strategy for 2014-2019 with a goal of exporting 3 million tonnes of rice over the next five years.
- Thailand has resumed sales of its government rice stocks. This includes new government-to-government export deals with Indonesia and China.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

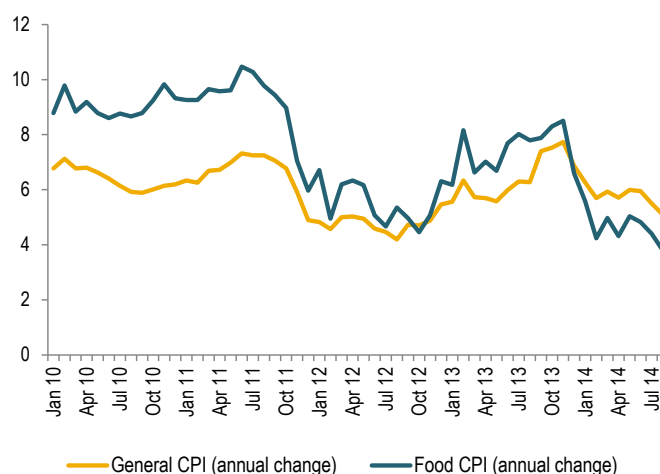
General inflation in the region continued to slow in August with the Consumer Price Index rising by 5.1 percent compared to a 5.5 percent rise in July and a 5.9 percent rise in August. Food prices increased by 3.8 percent in August as opposed to 4.4 percent in July. A more moderate pace of food price inflation helped ease general inflation.

Food prices rose 0.7 percent in China during August. Fresh fruits were 2.1 percent lower and fish prices were 0.5 percent lower. Conversely, prices for pork rose 5.1 percent and those for fresh vegetables were up 1.8 percent. Food prices in Pakistan increased 0.6 percent. Fresh fruit prices fell 17.5 percent, the pulse moong prices were down 4.7 percent and fish prices fell 2.2 percent. These declines were offset by a 19.5 percent increase in egg prices, a 12.6 percent increase in prices for fresh vegetables and an 8.9 percent rise in prices for onions.

Prices for various commodities - fresh fish, dried fish, chicken, eggs, bananas, papaw, mangoes, onions and pepper- were higher. On the other hand, prices for coconuts and coconut oil, sugar and most vegetables were lower. In Thailand, food prices fell by a mere 0.1 percent as meat was 0.3 percent cheaper, and vegetable and fruit prices were down 1.7 percent on strong production.

In the Philippines food inflation increased by 0.6 percent in August as chicken and fruit prices (mango, banana and pineapple) increased. Typhoon Henry limited supplies of fish.

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

In line with a five-month fall in the FAO Global Food Price Index, cereals prices continued their slide in August as wheat prices fell 4.5 percent and maize prices were down 4 percent on good harvests. The benchmark Thai Rice 100% B continued to rebound, however, from this year's low in May of US\$ 408 to US\$ 457.8 a tonne in August. Prices are now 4.3 percent higher than last month, but 9.3 percent lower than at the same time last year.

Regional rice prices increased nominally in August in line with the rebound in Thai rice prices over the past quarter. The **regional rice price index** rose 0.7 percent in August and was up 4 percent year on year. Adjusting for inflation, the real price of rice has grown marginally at 0.6 percent year on year, mainly because of high inflation, particularly in South Asia and India.

Short-term changes in the nominal price of rice were higher throughout the region with increasing by 2.3 percent in Southeast Asia, 1.4 percent in South Asia, and 0.2 percent in East Asia from the previous month. Nominal prices in India were unchanged. Annual nominal prices increased 6.8 percent in Southeast Asia, 4.4 percent in East Asia, 3.7 percent in South Asia, and 2.1 percent in India. These increases were still significant in real terms in East Asia and South Asia where rice prices increased by 2 percent and 1.8 percent, respectively. Real prices in the high inflation areas of South Asia and India were lower compared to last year by 2.7 percent and 1.3 percent, respectively.

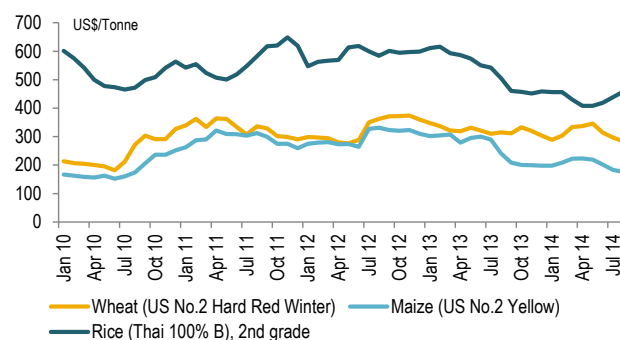
The **regional wheat price index** grew in nominal terms an average of 1.4 percent during August. Increases were most pronounced in South Asia and India, growing 2.8 percent and 2.3 percent, respectively. Monthly increases in East Asia and Southeast Asia were lower by comparison – growing 0.2 percent and 0.7 percent, respectively.

Nominal wheat prices were 3 percent higher on average than one year ago. Price increases were highest in Southeast Asia, growing 7.2 percent, and India, up by 3.7 percent. Nominal gains in East Asia and South Asia were lower, increasing a respective 2.7 percent and 2 percent. However, when adjusting for inflation, wheat prices in the region grew by 1.3 percent year on year – subdued in part by higher inflation in South Asia and India. Wheat prices have fallen by 2.1 percent in South Asia, but increased 1.3 percent in India year on year in real terms. With relatively low inflation in East Asia and Southeast Asia, the real price of wheat increased by 2.1 percent and 4.4 percent, respectively.

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.

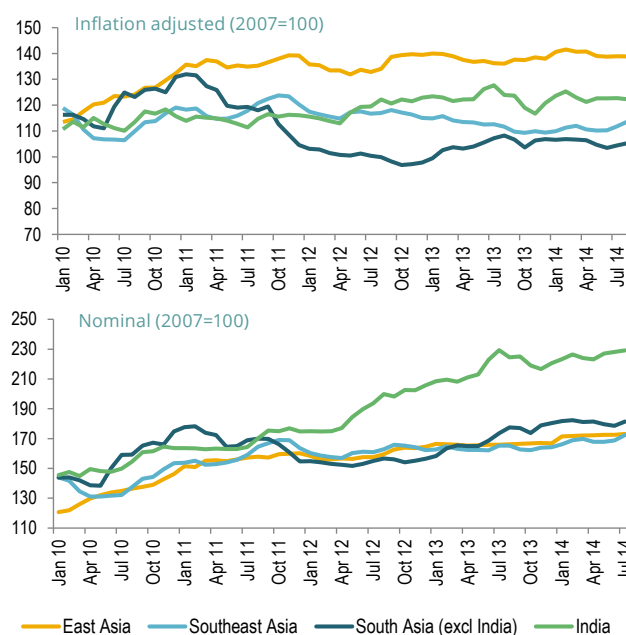
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia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

Global benchmark prices

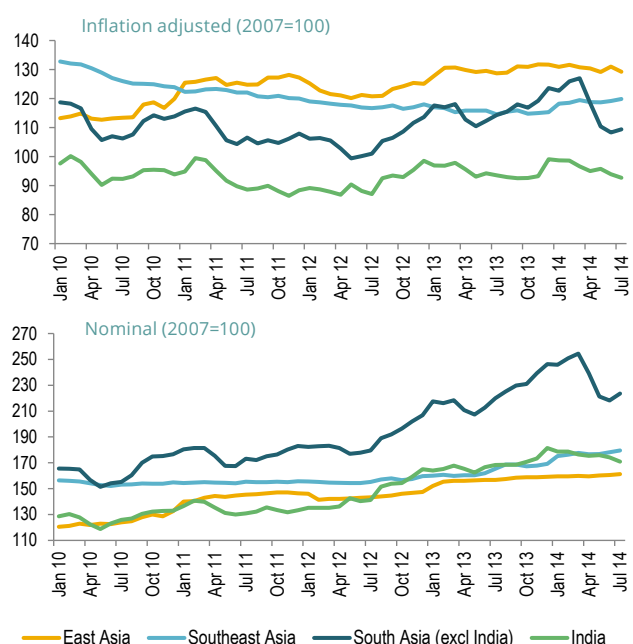


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **Cambodia** (Phnom Penh markets), retail prices during August remained unchanged for milled rice (Phkar Khney), rice (Neangminh), and mixed rice. Prices have generally held steady over the past year with only mixed rice decreasing from KHR 2 000 (US\$ 0.49) per kilo in the third quarter of last year to the current KHR 1 800 (US\$ 0.44).

FAO has tentatively forecast that aggregate rice production will be 9.5 million tonnes, with 1.2 million tonnes exported, for the 2014/15 secondary (dry) season. The government is providing credit assistance to farmers and reducing export fees, and has recently launched its first large-scale paddy rice bank to ensure supplies to millers and exporters. The bank will consist of large industrial dryers capable of drying about 600 tonnes of paddy per day, and a warehouse, with an initial stock of about 100 000 tonnes.

Retail prices for beef and pork continued to be stable since prices last peaked during the Cambodian New Year festivities in April. Chicken prices, however, increased 12.5 percent in August on higher prices for imported chicken. Cambodia sources much of its fresh chicken from neighbouring countries because of its under-developed slaughterhouse capacity to meet rising local demand.

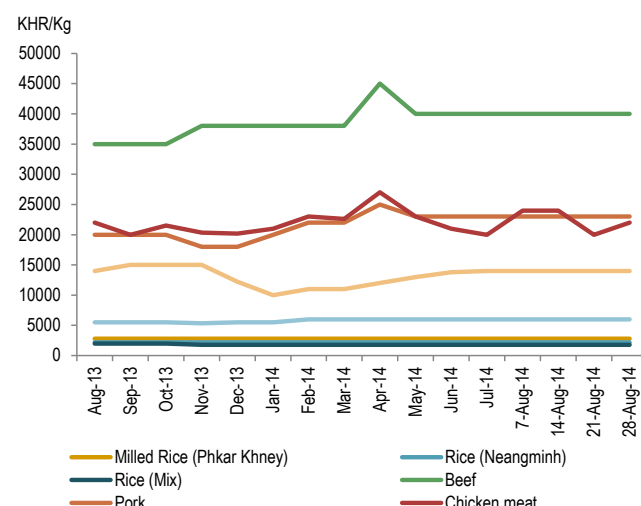
In **China** (average of 50 cities), retail prices for grains and related commodities remained stable in August. Prices for both Japonica rice and standard wheat flour were just 0.1 percent higher month to month, but they rose 4.3 percent and 2.5 percent, respectively, year on year. Official estimates put wheat and rice output at record levels this year. China is still a major importer of cereals. FAO projects total cereals imports for MY 2013/14 (July/June) will be a record 22.1 million tonnes, almost double last year's total.

Prices for pork rump rose 4.9 percent from July, following a steady decline in prices over the past year. China is one of the world's largest producers and consumers of pork. Although pork prices are currently lower than earlier this year at CNY 25.36 (US\$ 4.12), they are expected to rise in coming months. The expectation is based on a declining population of breeding sows because of disease and cold weather; higher consumption of pork during spring festivals, and a recent halt in some pork imports from the U.S. because of feed additives.

In line with neighboring countries, vegetable prices in China fell in August, after unfavorable weather had temporarily pushed them high earlier this year. Prices for cucumber were an exception, rising 10.4 percent in August compared to July.

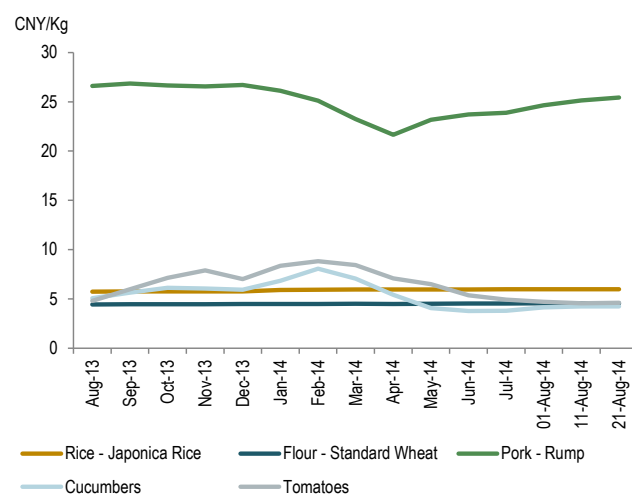
In **Pakistan** (national average), prices for wheat, rice (IRRI) and cereals commodities have been relatively stable over the past month. Wheat prices rose by 1.8 percent and rice fell by 0.2 percent. Grains commodities from the new harvest stabilized rising prices. Wheat and wheat flour alone account for approximately 4.5 percent of the total consumer price basket, and 12.9 percent of the food price basket.

Cambodia



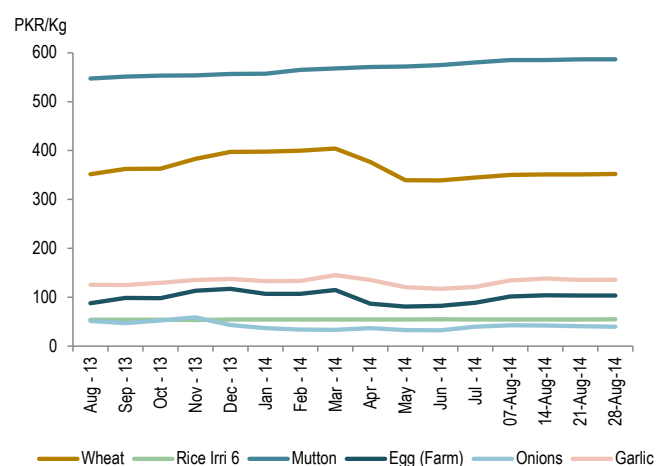
Source: Cambodia, Ministry of Agriculture Forestry Fisheries, 2014

China



Source: National Bureau of Statistics China, 2014

Pakistan



Source: Pakistan Bureau of Statistics, 2014

Despite excessive rains in May, FAO estimates total 2014 wheat production at 25 million tonnes, slightly above last year's flood-affected crop and the second best on record.

Vegetable price increases contributed to food price inflation despite rising more moderately than during the second quarter. Potatoes, onions and tomatoes account for nearly 80 percent of total vegetable production in Pakistan. Onion prices increased by 3.8 percent while tomato prices decreased by 4.5 percent from July. Prices for onion and tomatoes are significantly lower than one year ago, 40.5 percent and 20.1 percent, respectively. The price of farm eggs increased by 16 percent from July and 17.2 percent from the same time last year, reflecting lower production.

In **Samoa**, prices in August for the main staple commodities taro, banana, and breadfruit were lower than last year. Taro prices fell by 16.9 percent, banana by 42.6 percent, and breadfruit by 56.7 percent. The decreases in prices for these commodities are associated with higher quantities supplied into the domestic market, and a greater number of farmers bringing their goods to local markets.

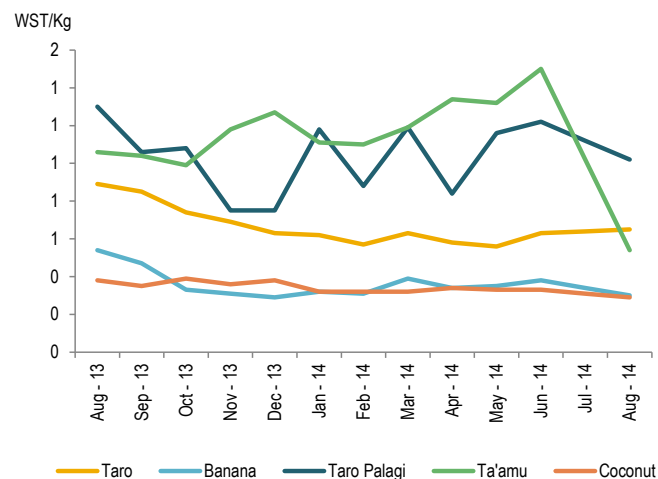
The agricultural sector in Samoa is largely subsistence based, and the quantity of food supplied is sometimes dependent on the excess supply from these subsistence farmers. In addition, frequent extreme weather events make domestic production very erratic. In this context, monthly price trends are quite volatile. In August, tomatoes and breadfruit prices fell 39.5 percent and 39.6 percent respectively, compared to July, while yam prices increased by 28.6 percent.

In **Thailand** (Bangkok wholesale), prices for several varieties of rice including the 25% broken variety continued to rebound after marked price decreases since the fourth quarter of last year. Despite resurgent prices, 25% broken white rice is still 14.6 percent cheaper than last year. In August, the Ministry of Commerce resumed sales of rice from government warehouses after the suspension in May to allow a check of quantities and quality of the stocks. Rice exports in 2014 are forecast at 9 million tonnes, a recovery of 36 percent from last year's low level, and 8 percent above the average level of the previous five years.

Prices for poultry commodities also increased during August. Prices for eggs were up 9.9 percent and those for whole chicken by 1.9 percent. These short-term price increases may be attributable to lower domestic supplies, as chicken meat production has slowed while exports continue to grow.

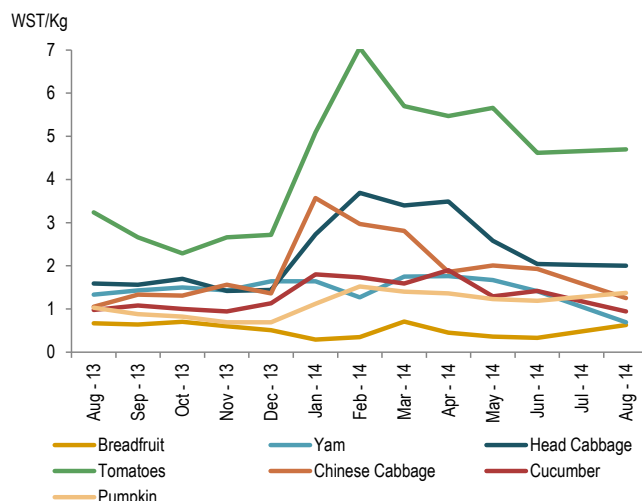
Fruit and vegetable prices fell by 1.7 percent compared to July. Prices of lime, a widely consumed product at national level, were up 15.4 percent, but were still 49.8 percent lower than last year.

Samoa



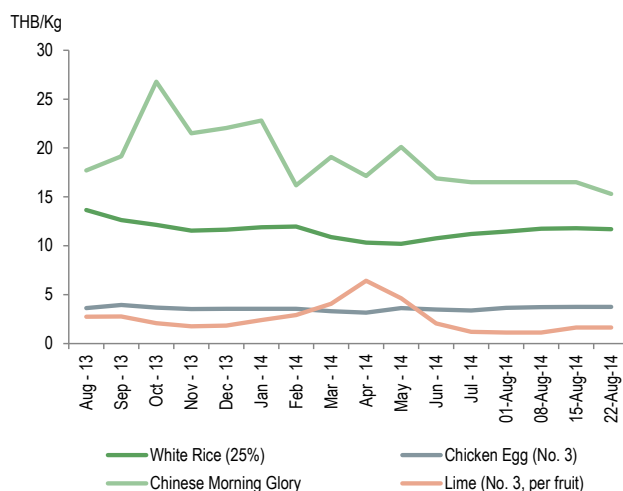
Source: Samoa Bureau of Statistics, 2014

Samoa



Source: Samoa Bureau of Statistics, 2014

Thailand



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.

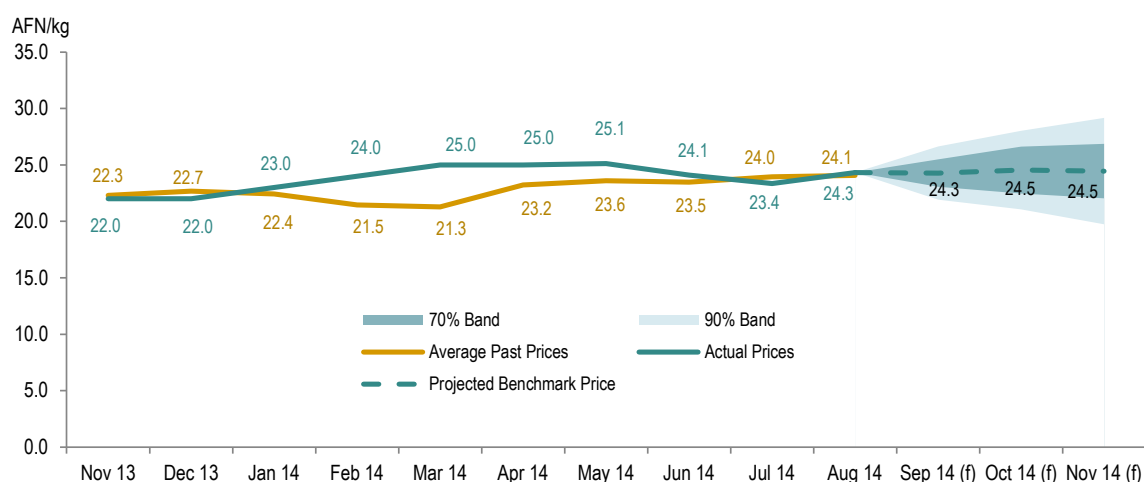
PRICE FORECAST

Afghanistan (Kabul, retail wheat)

Retail prices for wheat in Afghanistan (Kabul markets) were AFN 30.5 (US\$ 0.54) per kg in August, an increase of 0.4 percent from the previous month and a decrease of 0.1 percent from August last year. The benchmark future price for September is forecast to be AFN 30.9 (US\$ 0.55) per kg (within a 70% benchmark band of AFN 30.3 – 31.4 [US\$ 0.54

– 0.56] per kg) a slight increase of 1.3 percent from August 2014, and an increase of 3.4 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for wheat are likely to increase gradually within a benchmark band of AFN 30.1 – 31.9 (US\$ 0.54 – 0.57) per kg.

Retail price for wheat



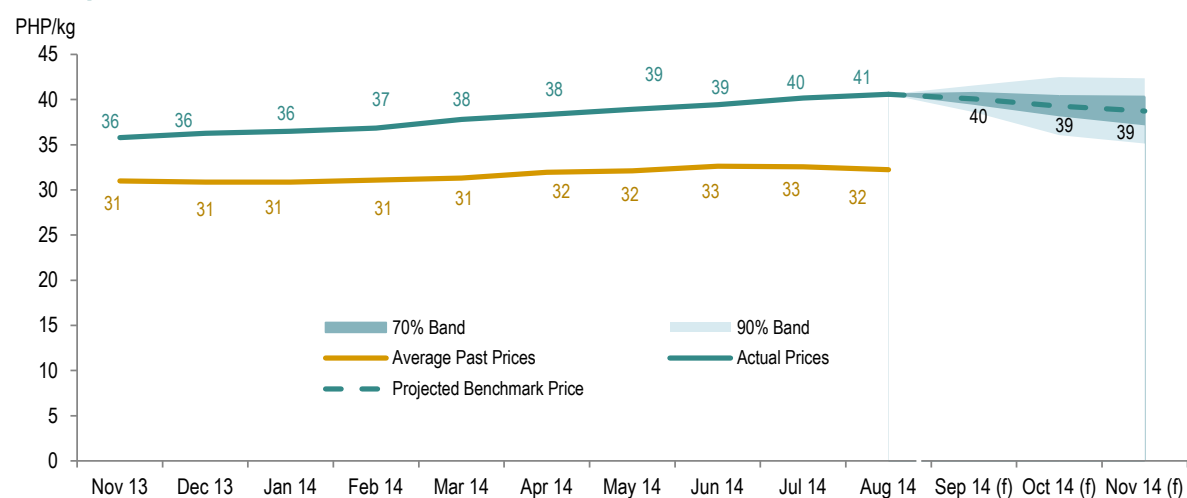
Source: World Food Programme and FAO staff calculations, 2014

Philippines (national average, retail well milled rice)

Retail prices for well milled rice in the Philippines were PHP 40 (US\$ 0.90) per kg in August, an increase of 1.9 percent from the previous month and an increase of 2 percent from August last year. The benchmark future price for September is forecast to be PHP 39 (US\$ 0.88) per kg (within a 70% benchmark band of PHP 38 – 41 [US\$ 0.86 – 0.93] per kg)

a slight decrease of 0.9 percent from August 2014, and a decrease of 2.5 percent from the previous year. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for well milled rice are likely to increase gradually within a benchmark band of PHP 38 – 44 (US\$ 0.86 – 1.00) per kg.

Retail price for rice



Source: Bureau of Agricultural Statistics and FAO staff calculations, 2014

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

The Ministry of Agriculture of **Cambodia** has released a draft policy to strengthen the agriculture sector. The policy focuses on educating farmers on how to gain greater access to markets and increase their productivity by using sustainable farming methods. It aims to improve access to new agricultural knowledge, information and technologies through television and radio programmes coupled with field demonstrations. The implementation strategy will be to conduct programmes and activities in each district in collaboration with agricultural researchers, NGOs, banks and the private sector.

Bangladesh has extended its 2014/15 rice procurement period by one month until 30 September as the target of procuring 1.1 million tonnes of rice was not met. Procurement started in May to provide a price incentive to farmers: rice is bought at BDT 31 per kg (US\$ 0.40) for parboiled rice, at BDT 30 per kg (US\$ 0.39) for white rice and at BDT 20 per kg (US\$ 0.26) for paddy.

Pakistan's Agricultural Research Council (PARC) has launched an action plan to promote oilseeds cultivation in selected regions, in an attempt to help reduce the country dependence on imported edible oil. PARC will promote the cultivation of canola-type rapeseed in the Northeast and Northwest of the country by providing hybrid seed at 25 percent of the price of imported seed; mechanized drilling, harvesting and threshing equipment, and technical assistance on crop management and marketing.

Thailand's Bank for Agriculture and Agricultural Co-operatives has approved THB 15 billion (US\$ 464 million) in financial aid to rubber farmers. The Bank will also help 360 000 farmers by reconsidering their debts. Rubber prices have continued to fall in 2014 reaching a five-year low in August, because of domestic oversupply and rising stockpiles in China, the world's largest rubber user. Furthermore, a new 10-year Rubber Development Plan started in September aims to reduce production costs and adopt efficient technologies to improve the quality of rubber products to fetch higher prices. Another goal of the plan is to reduce the total rubber output by 700 000 tonnes in seven years by encouraging farmers to grow alternative plants with higher economic returns and/or adopt mixed cultivation.

Viet Nam has launched a pilot credit programme that aims to encourage domestic agricultural producers to apply modern production technologies. Under the programme, the maximum interest rate for short-term loans is 7 percent a year, while those for medium- and long-term loans are 10 percent and 10.5 percent, respectively. Five commercial banks will provide loans to selected big agricultural enterprises for adopting advanced technologies.

Trade and market policies

China's government is considering tighter limits on pesticide residues for imports of sorghum, barley and feed wheat. Earlier and ongoing shipments will likely to be exempted from checks.

According to media sources, on 11 August, **China** suspended cross-border rice imports from Viet Nam to curb customs tax evasion and unofficial trade. Viet Nam's rice exports have depended greatly on the Chinese market in the past three years. Rice is traded only through private traders, whose channels are mainly unofficial. The import volume from January to July was nearly two million tonnes.

On 19 August 2014, **India** announced that all State Governments had been directed to cap the levy on rice procurements from millers at 25 percent for the Marketing Year 2014/15 (October/September). The government will import 100 000 tonnes of rice from Myanmar for public distribution in the northeastern states of Manipur and Mizoram, despite having abundant central stocks. Moving rice domestically from other states, such as Punjab or Andhra Pradesh, by road has proven costlier than importing it. This is the first time in three decades India is importing rice.

Indonesia has reduced the variable export tax on crude palm oil to 9 percent starting from September, following the recent decrease in international palm oil prices. The tax has been lowered gradually since April, when it stood at 13.5 percent.

Myanmar announced a new national export strategy for 2014-2019 on 3 September to revive its status as a major rice exporting country focusing on product quality over quantity. The government aims to export 1 million tonnes of rice this year and increase to 3 million tonnes over the next five years. The government has also identified beans and pulses, mineral products, finished wood products, as well as garments, as items which have great export potential.

Thailand will sell 175 000 tonnes of rice to Indonesia and 100 000 tonnes to China under government-to-government deals. Another 200 000 tonnes will be sold through private exporters to Malaysian state buying agency Bernas. Thailand is keen to reclaim the world's top rice exporter status after two years of declining shipments, mainly attributable to high domestic prices resulting from the now-suspended rice pledging scheme which compromised the competitiveness of Thai rice exports.

Consumer oriented policies

The Government of **India** has instituted a High-Level Committee to provide recommendations for restructuring the Food Corporation of India (FCI) to ensure the efficient management of food grain reserves and reduce costs. FCI has vital responsibilities, such as grains procurement, management of Central Pool stocks and distribution of food grains to State Government Agencies for food security programmes.

Sources of policy information: Ministry of Food (Bangladesh), IGC and Cambodia Daily (Cambodia), IGC and Oryza (China), IGC and Press Bureau of India (India), Reuters (Indonesia), Oryza (Myanmar), Business Recorder (Pakistan), USDA, IGC and National news Bureau (Thailand), Vietnam Net (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

Climate change calls for new adaptation technologies

The Asian Development Bank (ADB) said in a report released last month that South Asia could lose an equivalent of 1.8 percent of annual GDP by 2050, which will progressively increase to 8.8 percent by 2100 on the average under the business-as-usual scenario. The region is home to a fifth of the world's population and is already vulnerable to floods, cyclones and droughts that damage agriculture and lessen food security.

For instance, floods have been ravaging provinces on both sides of the India-Pakistan border in recent weeks. Relief agency Caritas reported that in Punjab, Azad Jammu and Kashmir in Pakistan, hundreds of villages have been washed away. UNOCHA reported on 12 September that at least 450 people had perished in both countries and 1.5 million people have been affected. Estimates of damage to crops, livestock, agriculture and food supplies were not yet available.

The ADB report, *Assessing the Costs of Climate Change and Adaptation in South Asia*, assessed the overall impacts of climate change on agriculture to be negative. Higher temperatures would eventually reduce yields of desirable crops while encouraging weed and pest proliferation. Changes in precipitation patterns increase the likelihood of short-term crop failures and long-term production declines. India is badly at risk and South Asia needs to introduce flood- and saline-resistant crop varieties, better coastal zone management, improved disease surveillance, protection of groundwater and greater use of recycled water.

Countries in the region are adopting new agricultural technologies to deal with disasters. For instance, Afghanistan,

Bhutan, Bangladesh, the Maldives, Nepal, India, Pakistan and Sri Lanka are developing a new drought monitoring tool with support from the International Water Management Institute and the World Meteorological Organization. The tool, available by next April, will incorporate satellite photos of vegetation and forests, meteorological data, details of ground moisture and crop-yield data, which will be updated every eight days.

First Cambodian agricultural census undertaken

The Government of Cambodia released preliminary findings from its first agricultural census last month with an expectation that the document helps in formulating better policies for the agricultural sector. Agriculture is enormously important in Cambodia. About 65 percent of the population are farmers, but the sector contributes just 32 percent to gross domestic product. Among the more important findings were that 73 percent of people engaged in agriculture are farming or fishing at or just above a subsistence level.

The census was conducted with technical assistance from FAO, and assistance from the Australian, Swedish and U.S. governments. Data collection began in April 2012 ran through March 2013. A lack of data has long stymied efforts to develop Cambodia's agricultural sector and make it more competitive. One researcher said that traders have no reliable information on how much fragrant rice farmers produce, and so face obstacles when trying to plan and negotiate contracts. Information on water resources was also scant, hampering plans for irrigation. Government officials hope the census will provide the data needed to develop the sector into a more productive component of the national economy.

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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