Food and Agriculture Organization of the United Nations

FAO Regional Office for Asia and the Pacific

ASIA PACIFIC FOOD PRICE AND POLICY MONITOR

April 2015 - Issue 20

HIGHLIGHTS

- In India, unseasonal rains damaged 8.5 million hectares of crops, mainly wheat. The Government has responded mainly by increasing input subsidies and facilitating the processing of insurance claims.
- Thailand has launched a loan relief programme for affected farmers through the Bank of Agriculture and Agricultural Cooperatives.
- In Pakistan, potato prices have fallen by 45 percent year on year as farmers switch from growing wheat to potatoes.
- Kazakhstan is diversifying crops and improving productivity to increase economic performance of the agriculture sector.
- Viet Nam approved three varieties of genetically modified maize to boost yields and reduce reliance on imports.
- Fiji implemented its first school feeding programme for more than 20 000 first-year students.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

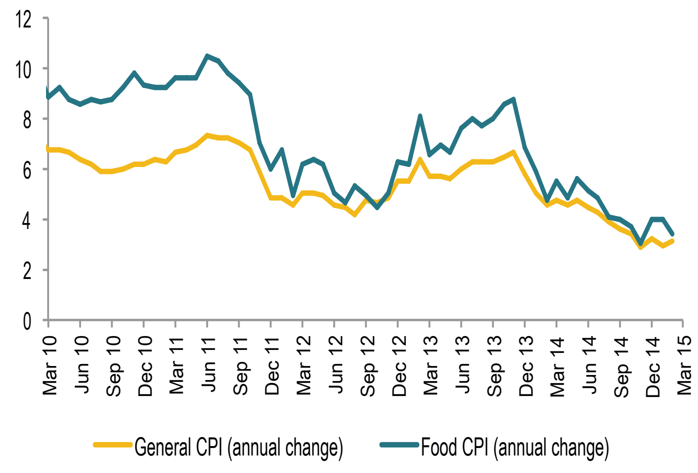
General inflation in the region rose by 0.2 percent and food price inflation rose by 0.1 percent in March compared to March 2014.

In Bangladesh, general inflation rose by 0.3 percent and food price inflation by 0.4 percent in March from February. In India, consumer prices increased by 0.6 percent and food prices increased 0.1 percent from the previous month. In Pakistan, general inflation rose 0.2 percent, and food prices were up 0.5 percent on rising prices for onions and tomatoes. General inflation fell 0.4 percent in Sri Lanka, and food price inflation moved downwards by 2.8 percent.

Indonesia's food prices fell by 0.7 percent in March, consumer prices rose but 0.2 percent. In the Philippines, consumer prices fell 0.1 percent and food prices fell 0.4 percent on lower vegetable and fish prices because of plentiful supplies. Thailand's general inflation rose by 0.2 percent from February as food prices remained unchanged. Consumer prices in Viet Nam were up 0.2 percent and food prices inched 0.4 percent higher in March.

In China, consumer prices fell 0.5 percent and food prices were down 1.6 percent in March. Food prices were the main factor driving consumer prices down: prices for fresh vegetables fell 8.9 percent and pork prices were down 3.8 percent.

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.

Further afield in the Pacific, Samoa recorded a decline of 1 percent in general inflation and a decline of 1.2 percent in food price inflation. Prices were down for fresh fish, ta'amu and Chinese cabbages.

FOOD PRICES

The FAO Food Price Index averaged 173.8 points in March, down 2.6 points (1.5 percent) from February, and nearly 40 points after the (18.7 percent) March 2014. Sugar registered the strongest decline, hitting its lowest level since February 2009. Dairy prices were up 3 percent on limited supplies in Oceania and Europe. The Index has been falling since April 2014, and in February reached its lowest level since July 2010.

Maize prices fell 0.4 percent and wheat fell 0.9 percent in March, but maize was down 22 percent and wheat was down 25.4 percent from one year ago. Thai rice prices (white 100% grade B) declined 2.5 percent, and were 2.6 percent lower than March 2014.

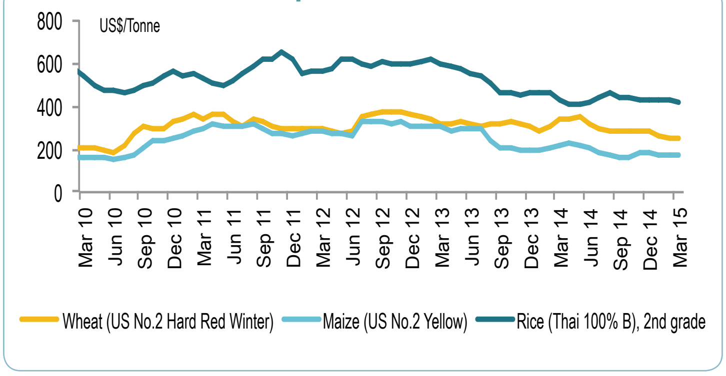
The **regional rice price index** declined by just 0.2 percent in nominal terms in March, but increased 0.8 percent from one year ago. Adjusting for inflation, the real price of rice was just 0.4 percent lower than in February, and 2.8 percent lower than in March 2014. The nominal prices of rice declined in India and South Asia by 2 percent and 1.7 percent, respectively, compared to February. Nominal rice prices in East Asia remained relatively unchanged, while Southeast Asia increased by 2.7 percent. Year-on-year, nominal prices dropped by 4.2 percent in India but were unchanged in South Asia. In East Asia and Southeast Asia, nominal rice prices increased by 5.4 percent and 3.2 percent, respectively, from one year ago. Real prices declined more significantly year on year, with India down 11.4 percent, South Asia down 5.2 percent and Southeast Asia down 0.7 percent. Prices in East Asia rose by 2.5 percent during the same period.

The **regional wheat price index** dropped by 0.9 percent in nominal terms during March. Declines were most pronounced in India and South Asia, down 1.9 percent and 12 percent, respectively. Prices in Southeast Asia rose by just 0.2 percent. In East Asia, wheat prices remained unchanged. Year-on-year in nominal terms South Asia was down 12.3 percent, and India was down 2.1 percent. In contrast, East Asia increased by 5.8 percent. Adjusting for inflation, wheat prices in the region fell 1.2 percent during March. Prices fell 1.5 percent in India, 1 percent in South Asia, 1 percent in East Asia and 0.4 percent in Southeast Asia. Year-on-year, real prices dropped by 2 percent, with South Asia down 10.3 percent, India falling 8.3 percent, Southeast Asia down 7.7 percent and East Asia down 4.1 percent.

Note: The regional price indices are aggregated using weights defined by the national Food Balance Sheet (FAOSTAT). Weights are defined as the availability of rice and wheat for domestic consumption for each respective index. Sub-regional groupings in the rice index are Cambodia, Indonesia, Lao PDR, Myanmar, the Philippines, Thailand and Viet Nam for Southeast Asia; Bangladesh, Nepal, Pakistan, and Sri Lanka for South Asia; China and Mongolia for East Asia.

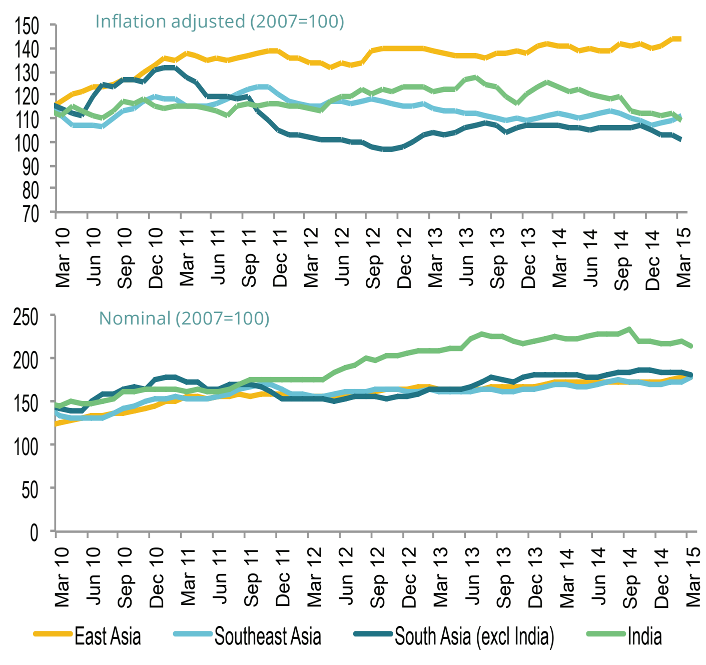
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia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

Global benchmark prices

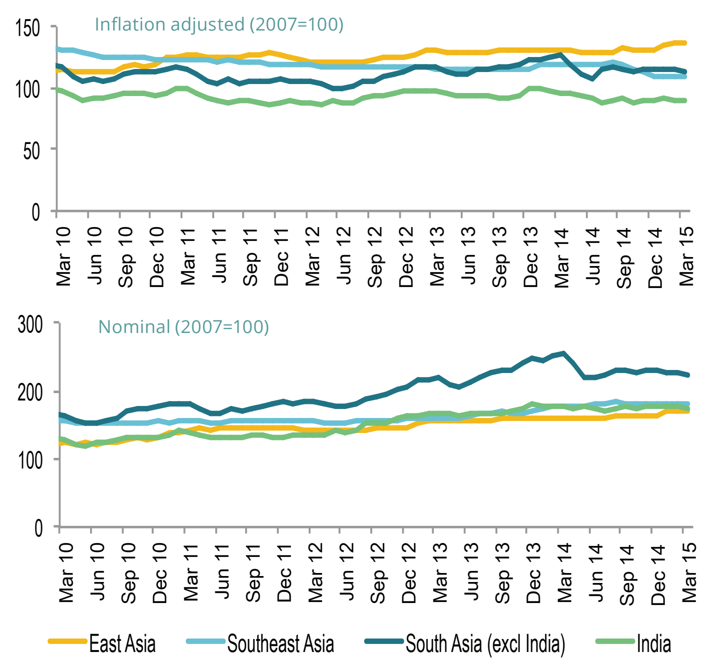


Source: FAO, International commodity prices.

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **India** (New Delhi markets), prices of several vegetables were volatile during March because of unseasonal rains. Eggplant prices rose 33.1 percent, potatoes by 36.6 percent, onions by 5.9 percent and tomatoes by 3.9 percent. Prices for wheat and wheat flour (atta) remained unchanged during the early stage of the winter (Rabi) crop harvest. Rains also damaged 8.5 million hectares of crops leading FAO to lowered its 2015 wheat production forecast by 1.8 MT.

The Government has responded with a 50 percent increase in input subsidies, ordering faster processing of insurance claims by State Governments, and easing quality requirements for wheat procurement. INR 52.7 billion (US$ 842.8 million) has been made available for relief under the State Disaster Response Fund. The entitlement criteria to compensate farmers was relaxed from 50 to 33 percent damaged crops, and State Governments were instructed to extend repayment of crop loans for one year. The Government is also taking preventive measures to mitigate the effects of drought expected during the Kharif season (April – December) by increasing the ceiling for seed subsidies. Funding for some existing programmes, such as the Diesel Subsidy, the Mission for Integrated Development of Horticulture and the Rashtriya Krishi Vikas Yojana agricultural investment plan, were increased by INR 1 billion, 7 billion and 1 billion, (US$ 15.9 million, 111.9 million and 15.9 million), respectively.

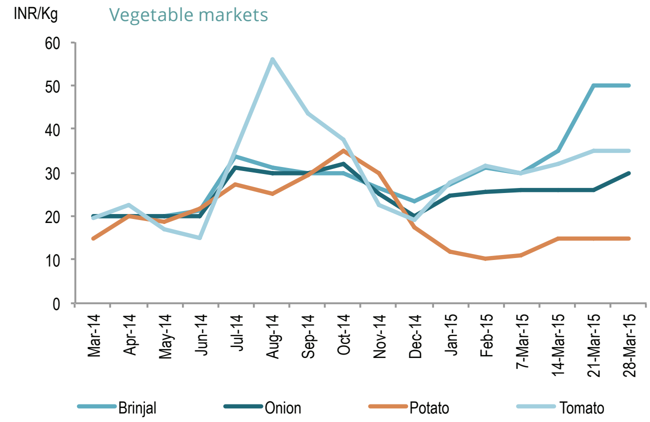
Prices for rice were generally stable, despite the seasonal downward price pressure at the beginning of the secondary harvest.

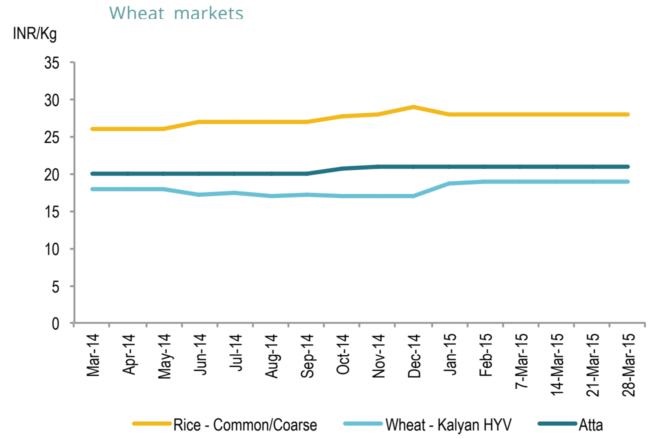
In **Pakistan** (national average), onion and tomato prices increased by 4.6 percent and 3.2 percent, respectively, during March compared to February. Conversely, onion prices were 16 percent below March 2014 prices and garlic and potato prices dropped by 4.4 percent and 4 percent, respectively. Potato prices were down by less than half (45.2 percent) the prices of March 2014 as many farmers in wheat planting areas have switched to planting potatoes because they are less vulnerable to extreme weather conditions.

Wheat and rice prices were relatively unchanged, up 0.2 percent and down 0.2 percent, respectively. However, wheat and rice prices were 13.7 percent and 6.7 percent lower than one year ago, respectively, because the Government has maintained high stocks for both grains. During mid-March, the Government lifted a ban on wheat imports in an effort to further build up stocks. At the same time, it imposed a 25 percent regulatory duty to protect local farmers from falling prices.

In **Samoa** (national average), taro prices increased by 5 percent from February to March while ta'amu prices increased by 1.9 percent when demand outstripped increased supply. Nonetheless, ta'amu prices were 35.3 lower than one year ago when supplies were even more limited. During the first quarter of 2015, breadfruit prices have varied within a range between 0.48 – 0.97 Tala (US$ 0.19 – 0.39) per kilo and have most recently rebounded by 72.7 percent from prices in February as the availability of close substitutes such as taro, banana and ta'amu improved. From February to March,

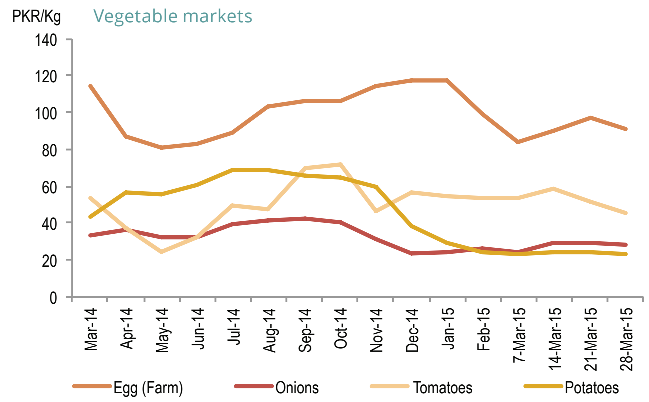
India (New Delhi markets)

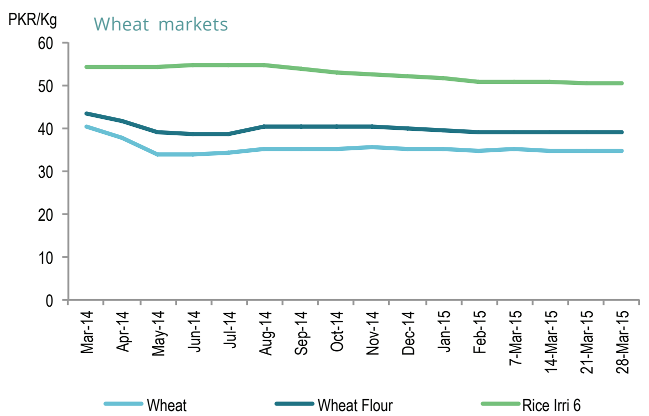




Source: Ministry of Agriculture, 2015.

Pakistan (national average)





Source: Pakistan Bureau of Statistics, 2015.

rains have adversely affected supplies of vegetables to local markets. Tomato prices increased 19.3 percent and head cabbage increased 41.8 percent. Prices for Chinese cabbage and cucumber dropped by 29.2 percent and 12 percent, respectively.

In **Sri Lanka** (Colombo markets), rice prices dropped 3.5 percent month on month in March, but remained 16.2 percent above the prices in March 2014. Prices also dropped sharply for vegetables and tubers, with green chillies falling 49 percent, eggplant down by 23.3 percent, carrots down by 28.4 percent and potatoes down by 6 percent. Vegetable prices have fluctuated since December when heavy rains caused floods and landslides that damaged and destroyed crops. A short-term trend of falling vegetable prices has contributed to driving food prices down.

In February, the Government implemented measures to counteract vegetable price volatility, including input subsidies and training courses to increase home gardening. During March, the Government took steps to improve market infrastructure and create direct markets for the farming community. In mid-April, the Government inaugurated the Sevanapitya Public Fair, a weekly market built at a cost of LKR 20 million (US$ 150 000). The Government is also encouraging the private sector to launch programmes that support direct vegetable marketing by awarding private enterprises with the Farmer's Citizen's Award such as Cargills (Ceylon) PLC, a Sri Lankan retailer, that sources 80 000 MT of fruits and vegetables directly from over 10 000 farmers across the country, bypassing middlemen.

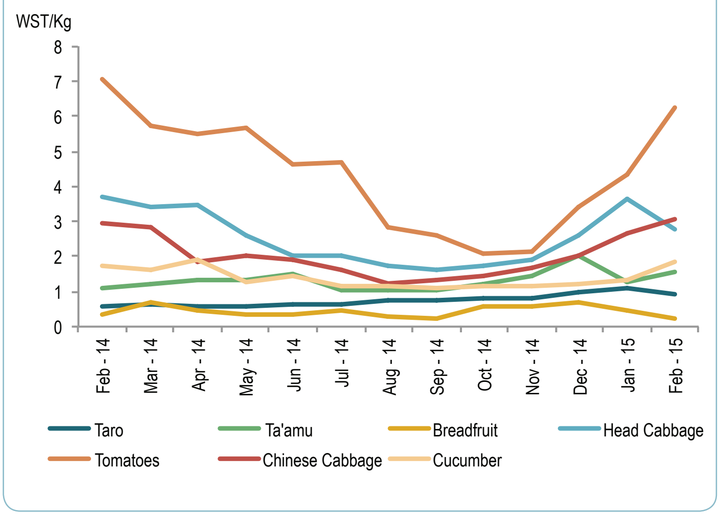
In **Thailand** (Bangkok wholesale), rice prices dropped by 2.2 percent month on month in March, but remained 2 percent above the prices registered in March 2014. Rice price stability is a result of off-season rice supplies becoming increasingly available in domestic markets. As of 2015, two bids have been completed that sold off 780 000 MT and 496 000 MT of rice from government stocks. To avoid further declines in domestic rice prices, the Government decided to suspend a new public rice tender until May.

Rice farmers in the Northeast have been affected from a dry spell as they attempt to plant the off-season rice crop. The Government has also suspended water supplies for rice cultivation to preserve it for the main harvest starting in May, and has recommended farmers change to planting crops that require less water.

The Bank for Agriculture and Agricultural Cooperative (BAAC) has written off THB 4 billion (US$120 576) in debt for 28 000 farmers that are the disabled, chronically ill or deceased, and restructured THB 48 billion (US$ 1.47 million) in debt owed by 340 0000 farmers who are able to work. In addition, the BAAC allocated THB 35 billion (US$ 1.07 million) for 450 000 farmers who followed a Government request to switch from planting rice to rubber trees, because rubber prices have now been falling.

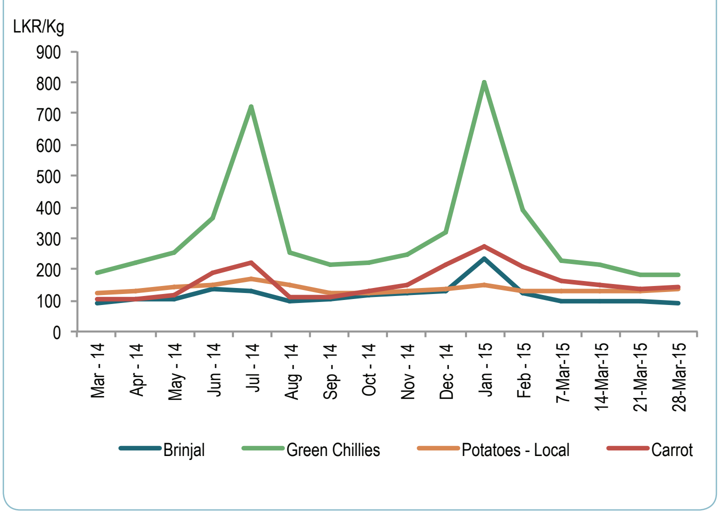
Egg prices declined by 8.7 percent in March and were 23.6 percent lower than the prices one year ago. Overproduction has been cited as the cause by the Ministry of Commerce and in response, it intends to increase the volume of egg exports to ASEAN countries.

Samoa (national average)



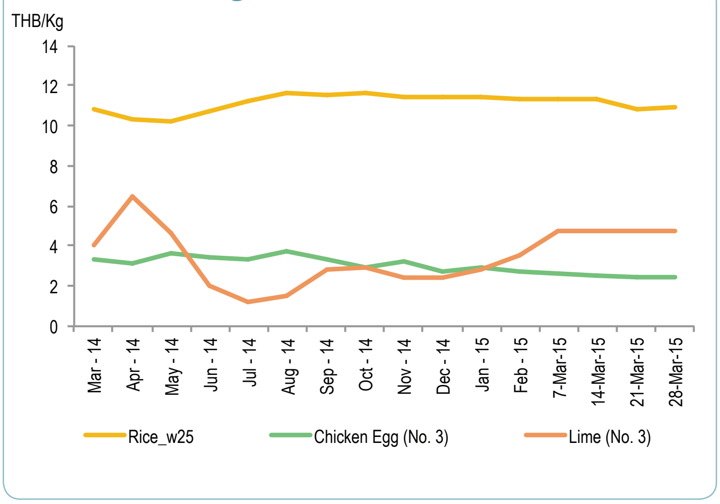
Source: Samoa Bureau of Statistics, 2015.

Sri Lanka (Colombo markets)



Source: Department of Census and Statistics, 2015.

Thailand (Bangkok wholesale)



Source: Ministry of Commerce, 2015.

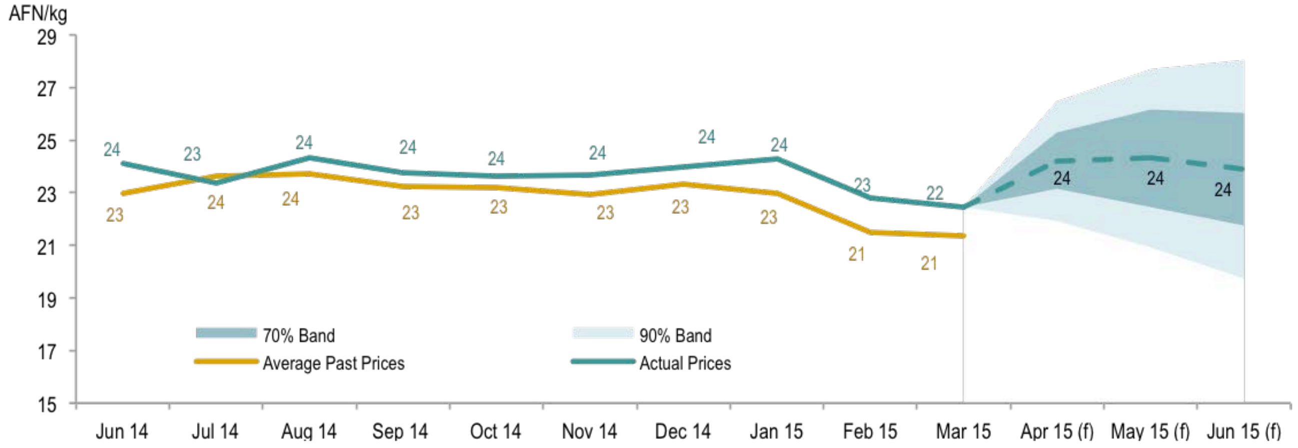
Note: Month-on-month changes are calculated as the price average of the current publication month from the price average of the previous month. Year-on-year changes are likewise reported as the price average of the current publication month from the price average of the same month in the previous year.

PRICE FORECAST

Afghanistan (retail wheat)

Retail prices for wheat in Afghanistan were AFN 22 (US$ 0.38) per kg in March, down 1.5 percent from February and 10.2 percent below March 2014. Prices have been in line with the trend in average past prices since June 2014 and for during March were up 5.1 percent from average past prices. The benchmark future price for April is forecast to be AFN 24 (US$ 0.42) per kg (within a 70% benchmark band of AFN 23.13 -25.27 [US$ 0.40 – 0.44] per kg) an increase of 7.8 from the price forecast in March 2015 and 3.2 percent below the price in April 2014. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for wheat are likely to slightly increase within a benchmark band of AFN 23.13 – 26.03 (US$ 0.40 – 0.46) per kg.

Retail price for rice

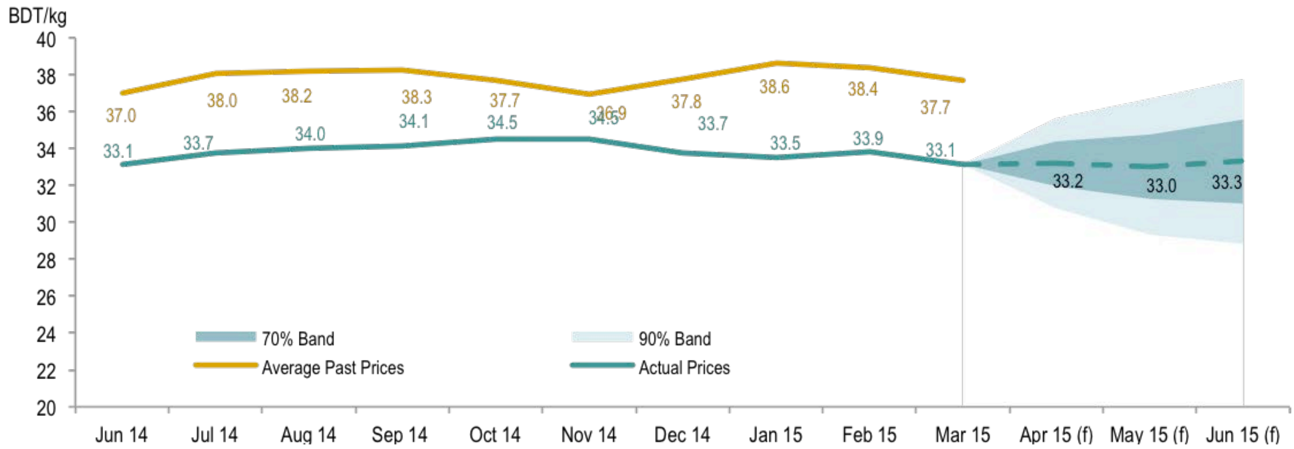


Source: FAO GIEWS and FAO staff calculations.

Bangladesh (retail rice)

Retail prices for rice in Bangladesh were BDT 33.1 (US$ 0.43) per kg in March, down 2.1 percent from February as well as 2.8 percent down from March 2014. Actual prices have been relatively in line with the trend in average past prices since June. However, actual prices in March were down 12.1 percent from average past prices. The benchmark future price for April is forecast to be BDT 33.2 (US$ 0.43) per kg (within a 70% benchmark band of BDT 32 -34.4 [US$ 0.41 – 0.44] per kg) an increase of 0.1 percent from the price forecast in March 2015 and 2.4 percent below the price in April 2014. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to slightly increase within a benchmark band of BDT 32 – 35.6 (US$ 0.41 – 0.46) per kg.`

Wholesale price for rice



Source: FAO GIEWS and FAO staff calculations.

Technical notes: The ESA Price Monitoring Model is a simple tool designed to assist policy makers, farmers and traders in assessing whether recent price trends are in line with those typically observed in the past. The purpose of the model is to determine whether short-term price movements of a commodity exceed a benchmark which takes into consideration seasonality, inflation and historic variability. The model uses only data on past prices and the consumer price index (CPI) to capture these characteristics. It establishes an expected level of price for the following month along with a range of uncertainty generated by past deviations from expected prices. Price movements can be interpreted as "excessive" if prices fall outside the benchmark band. The difference between the actual price and the "benchmark price" (1 month in advance) that was forecasted for that same month is also calculated by the model although not shown in the graph. An additional feature of the model is to show the current level of prices relative to an average of past prices during the past four years (adjusted for inflation). For details on the model, please see: http://www.foodsec.org/web/publications/briefs/.

NATIONAL POLICY DEVELOPMENTS

Production oriented policies

To meet farm pollution control targets, the **Chinese** Ministry of Agriculture released in April the Opinions on Taking Measures to Prevent and Control Agricultural Nonpoint Source Pollution. This includes capping irrigation water use within 372 billion cubic meters and zero growth in the use of chemical fertilizers and pesticides by 2020. The overall objectives of this measure encompass strengthening governance and leadership, improving policy measures and surveillance, and enhancing science and technology support, and an awareness campaign.

To improve national economic performance, the Government of **Kazakhstan** is taking several measures to raise productivity and competitiveness in the agriculture sector, particularly by boosting financial mechanisms by allocating 500 billion KZT (US$ 2.5 billion) to restructure and re-finance loans for indebted producers; and stimulating crop diversification by reducing wheat production subsidies and increasing subsidies for other priority crops. Wheat alone accounts for 80 percent of total planting area, and is the largest export in agriculture.

Pakistan plans to import around 350 000 tonnes of urea to meet a domestic shortfall for the Kharif crop-sowing season. Even though the country's fertilizer producers are capable of meeting domestic consumption demand, they are unable to produce sufficient urea due to insufficient gas supplies following the recent energy crisis in the country.

The President of **The Philippines** signed an executive order effective on 17 May 2015 providing administrative guidelines to utilise Coco Levy Assets to benefit coconut farmers and the development of the industry. The overall objective of these funds (PHP 71 billion or US$ 1.59 billion) is to improve farm productivity, boost farmers' income, strengthen farmers' organizations, and ensure balanced and sustainable growth of the coconut industry.

On 23 April **Thailand** announced a five-year "Rice Cultivation Restructuring Programme" to reduce rice planting areas by 112 000 hectares and increase sugarcane plantings by 2018, aiming to reduce a local surplus and bolster prices.

The Government of **Thailand** did not subsidize corn prices during Marketing Year 2014/15 following lower production, higher domestic consumption and strong exports that drove prices higher. The Government will increase tariff-free and quota-free maize imports from Cambodia, Myanmar and Lao PDR through 2017.

Viet Nam's Ministry of Agriculture and Rural Development recently approved three varieties of Genetically Modified maize for commercial scale after conducting a field trial in 2010 and allowing for animal feed use in 2014. This measure aims to boost yields and reduce reliance on imports given that the country imported 4.8 million tonnes of maize while it produced 5.6 million tonnes in 2014.

Trade and market related policies

The **Chinese** Government will reform rural supply and marketing cooperatives to better serve their regions, expanding the cooperatives' business scope to cover the whole agricultural sector. The rural supply and marketing cooperatives have a history of more than 60 years. There are total of around 12 million household members who are organized in more than 476 000 cooperatives.

The Ministry of Finance in **China** will spend CNY 154.6 billion (US$ 25 billion) in stockpiling grains, edible oils and other commodities in 2015, an increase of 33 percent over last year. China buys major commodities from its farmers at the state-set price for stockpiling and selling them at higher-than-market price to support the livelihood of farmers.

India's Ministry of Finance has approved the sale of 2 million tonnes of rice buffer stocks to bulk buyers, including millers and traders, through e-auctions starting in April 2015. In October, private millers will no longer be authorised to undertake procurement for the public distribution system.

Indonesia lowered its target for 2015 government purchases of domestic rice from 3.2 million tonnes to between 2.5 and 2.8 million tonnes, and has started distributing 400 000 tonnes of rice from domestic stocks, with 19 000 tonnes at subsidised prices as part of a subsidised food programme of Raskin (Rice for the Poor).

Following a recent recall of listeria-tainted apples from the United States, **Indonesia** has confirmed the conditions required to continue shipments of fresh food of plant origin from the United States, including a phytosanitary certificate, and a statement from the packing house stating that the products are fit for human consumption. Apples will be subject to mandatory testing.

For the first time since August 2014, **Malaysia** resumed its 4.5 percent export tax on crude palm oil in April because the average price has been above US$ 750 since mid-February 2015.

Viet Nam reduced its minimum export price for 25 percent broken rice by approximately 3 percent to around US$ 350 per tonne, following a previous reduction from US$ 380 per tonne to US$ 360 per tonne in January.

Consumer oriented policies

The **Australian** Government plans to reinforce the Country of Origin Labelling after consultations and in-depth consumer research from 1 April 2015. The proposed labelling mandates that the proportion of food that comes from Australia must be shown on a package with simple and diagrammatic way.

The Ministry of Education of **Fiji** implemented for the first time in March 2015 a school feeding programme that provides milk and biscuits for breakfast to more than 20 000 first-year students.

OTHER UPDATES

Sustainable Dairy Development Strategy Adopted for Asia

With demand for milk rising across Asia, a strategic framework for sustainable dairy development was adopted during a regional meeting in Anand, the Milk Capital of India on 23-26, March 2015. More than 60 delegates representing a broad range of stakeholders from the public sector, civil society, academia, donors and development partners discussed how to improve production and efficiency while minimizing environmental impacts, the proper balance between producing feed and food, and boosting incomes for smallholder dairy farmers.

The meeting noted that the region will need to increase milk availability by another 50 million tonnes within this decade to meet growing demand. Dairying also provides food, family nutrition and incomes to women. Engagement of women needs to be viewed not merely as labour participation, but as a tool for economic empowerment.

The meeting concluded by adopting a strategy consisting of four pillars: Human resource development and knowledge management; Improving the productivity and competitiveness of smallholder milk producers; Strengthening the linkages between farmers and consumers to deliver a quality product at a fair price; and enhancing the enabling environment.

The meeting was organized by the National Dairy Development Board of India, the Food and Agriculture Organization of the United Nations (FAO), Animal Production and Health Commission for Asia and the Pacific (APHCA) and the Global Agenda for Sustainable Livestock. Participating nations included Afghanistan, Bangladesh, Bhutan, Indonesia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Viet Nam.

India and ASEAN intensifying agriculture cooperation

India and the 10-member Association of Southeast Asian Nations (ASEAN) agreed to intensify cooperation on agriculture and food security at the recent ASEAN India Cooperation in Food Security, Agriculture Technology And Food Engineering for Delhi Dialogue VII, hosted by India, according the country's Minister of External Affairs. India and ASEAN as a region have been posting relatively strong growth rates despite economic slowdowns or weak recoveries in other countries and parts of the world. But participants at the dialogue said that growth in GDP alone is not always the best measure of the health of economies. The ability to ensure food and nutrition security at affordable and stable prices in an ecologically sustainable paradigm is fundamental to long term global peace and stability. That is especially important in both India and ASEAN because the majority of people in both earn their living through agriculture or agriculture-related activities.

Following a Vision Statement adopted in 2012, India and ASEAN are already enhancing co-operation in key areas for mutual interest to improve productivity and meet the challenges of food security. These include learning and developing more efficient farming practices and management skills through information sharing via exchange programmes that are funded under the ASEAN India Cooperation Fund. ASEAN countries are among the world's leading exporters globally rice, fruits, vegetables and coffee, along with industrial crops such as palm oil, rubber, cashew nuts and pepper. ASEAN and India share similar challenges when it comes to agriculture and food security. A shrinking land base, diminishing water resources, shortage of farm labour and increasing costs, and a range of uncertainties related to volatility in international markets, especially commodities markets.

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

Contact information

FAO Regional Office for Asia and the Pacific, Economic, Social and Policy Assistance Group (ESP)
39 Phra Atit Road, Bangkok 10200, Thailand
Phone: +66-2-697-4250
E-mail: FoodAsia@fao.org
To subscribe, please e-mail listserv@listserv.fao.org, leave the subject blank and type subscribe Food-Asia-L

Disclaimer and Acknowledgements

The Asia Pacific Food Price and Policy Monitor is prepared with information from official and non-official sources by FAO Regional Office for Asia and the Pacific. Conditions can change rapidly and information may not always represent the current food price situation as of the present date. As information is based on official and non-official sources, not all of them should be taken as official government views. The designations employed and the presentation of material in this report do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The support of FAO Country Offices and FAO's Food and Agriculture Policy Decision Analysis (FAPDA) are gratefully acknowledged for their contributions.

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

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