



FOOD AND AGRICULTURE ORGANIZATION OF THE  
UNITED NATIONS  
REGIONAL OFFICE FOR ASIA AND THE PACIFIC

OCTOBER 2011

**Table of contents**

- FAO Food Price Index falls for third straight month 1
- Domestic rice prices rising around the region 1
- FAO says increased grain output may not improve food security 2
- Floods taking heavy toll on mainland Southeast Asia 4
- FAO seeks USD 18.9 million for flooded Pakistan 4
- SEAN+3 creates emergency regional rice reserve 4
- Myanmar traders aiming for more rice exports 5
- Cambodia exports less rice but earns more 5
- Thailand and Indonesia resolve rice sale 5

**List of figures**

- 1: Selected international cereal prices 1
- 2: Trends in domestic prices for key commodities in selected countries 2



**FAO Food Price Index falls for third straight month**

The FAO Food Price Index fell by 2 percent in September, finishing the month at 225 points, the third consecutive month that the index has registered slight declines. Nonetheless, the FPI was still ten points higher than a year ago, September 2010.

Weakening international prices for grains, sugar and oils drove the index down. Both wheat and maize registered price falls of 2 percent and 4 percent respectively since August. However, wheat was still 8 percent more expensive than during the same period the previous year, and maize was 45 percent more expensive. Increased supplies of both grains helped soften prices.

Rice was the grain that still registered price increases, rising for the fourth consecutive month. The benchmark Thai white 100 percent B sold for an average of USD 618 a tonne in September, a 6 percent increase over August and a 24 percent increase over a year ago. **India's** relaxing of export restrictions on non-basmati rice helped prevent prices from rising even further.

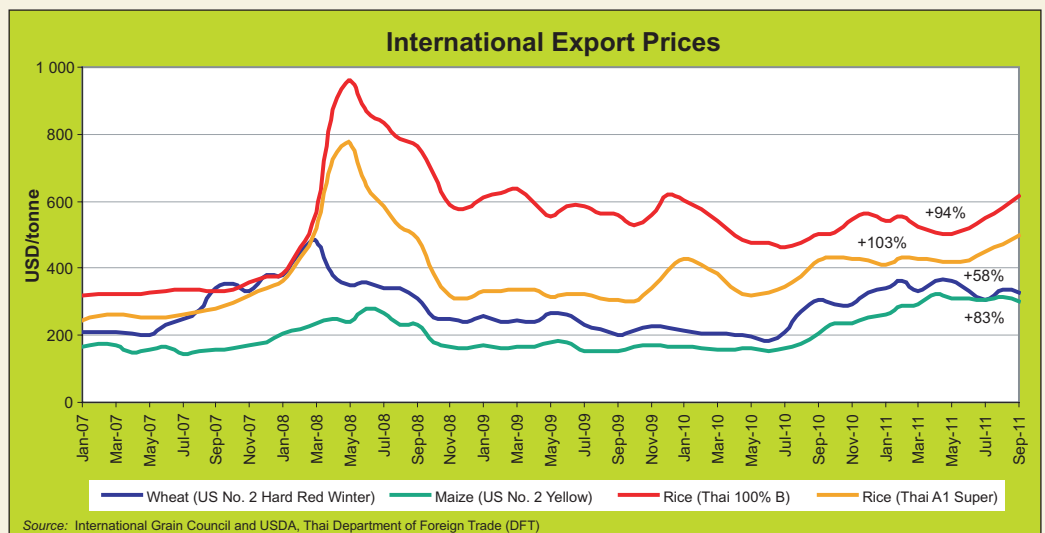
The FAO Cereal Price Index slid by 2.3 percent on forecasts of higher total

supply, and has generally been on a downward trend since April. The index is still 18 percent higher than at the same time last year, although 11 percent below its April 2008 peak. The FAO Sugar Price Index was 3.8 percent lower than in August on better harvests in **Brazil**, the world's largest sugar producer, **Europe**, **India**, and **Thailand**. The Oils/Fats Index also fell 2.3 percent on plentiful supplies of palm oil from Southeast Asia and sunflower oil from the Black Sea region. The Dairy Price Index also declined to 218 from 221 in August as the price of butter fell by 3 percent.

**Domestic rice prices rising around the region**

Domestic rice prices rose around Southeast Asia during August and September driven by higher export prices for the grain, bad weather and a new rice mortgage scheme in **Thailand**. Rice prices were 20 percent higher in Thailand in August compared to the previous month. In **Viet Nam**, although September's rice price remained at the same record high level it was in August for the first half of the month, it then eased slightly during the second half. The price of rice was still 33 percent higher than in September 2010. **Cambodia** saw its rice prices rise by just over 5 percent during

**Figure 1: Selected international cereal prices**



September, caused chiefly by rising prices in neighbouring Thailand and Viet Nam. Prices also edged upward in Indonesia during August, reaching a new record level, and were 13 percent higher than during the same period last year. September saw the price of rice increase by 1.9 percent in **India**, the second straight month of rice price rises there, driven to some degree by the government's lifting of export restrictions on non-basmati rice. India has also suffered from flooding, with 290 000 hectares of farm land inundated in September. Rice also rose by 3.7 percent in neighbouring **Pakistan** in September. Bangladesh's rice price rise was slight at 0.6 percent for August. **Sri Lanka** and **Nepal** were the exceptions, as their rice prices fell by 5.5 percent and 8.5 percent respectively in September. Prices for rice were relatively stable in the **Philippines**, **China** and **Lao PDR**.

Prices for wheat and wheat flour were also generally stable or declined slightly. Adequate supplies from last year's bumper crop kept wheat prices in

**Pakistan** stable despite flooding in Sindh province. Pakistan's ability to continue exporting wheat contributed to keeping the price stable in neighbouring **Afghanistan**. Prices for wheat were virtually unchanged in **India**, **Bangladesh** and **Sri Lanka**. Wheat prices fell by about 4 percent in the **Russian Federation** as the country continued its recovery from last year's drought and increasing supplies of wheat entered the market. In **China**, the National Development Reform Commission announced that in 2012 the minimum prices for wheat will be allowed to rise by 7 to 10 percent in order to encourage production. Faced with drought, the Chinese government released more than 10 million tonnes of its wheat reserves this year to counter food inflation.

**India** was still grappling with rising prices for vegetables and pulses, as the price of onions rose by 20 percent in September. The government responded by banning exports for two weeks to try and shore up domestic supplies and keep prices from rising. In **Fiji**, prices for maize, cassava

and dalo tausala taro fell by 7.8, 2.7 and 10.9 percent respectively. In **China**, the government said it will release 3.7 million tonnes of maize on to the market by the end of November to keep prices stable.

### FAO says increased grain output may not improve food security

FAO's latest Crop Prospects and Food Situation (CPFS) report is forecasting higher total cereals production for 2011/12, but cautioned that worsening economic conditions could mean that more people will go hungry despite a more plentiful food supply. The report released in early October predicted a 3 percent, or 68 million tonne, increase in total cereals output to 2 310 million tonnes. Prices for most cereals except rice had declined.

In East and Southeast Asia, FAO is forecasting a 2.8 percent increase over 2010's record cereals harvest. FAO estimates 1.16 million tonnes of cereal, including rice, will be harvested this year. The forecast was made, however, before

Figure 2: Trends in domestic prices for key commodities in selected countries

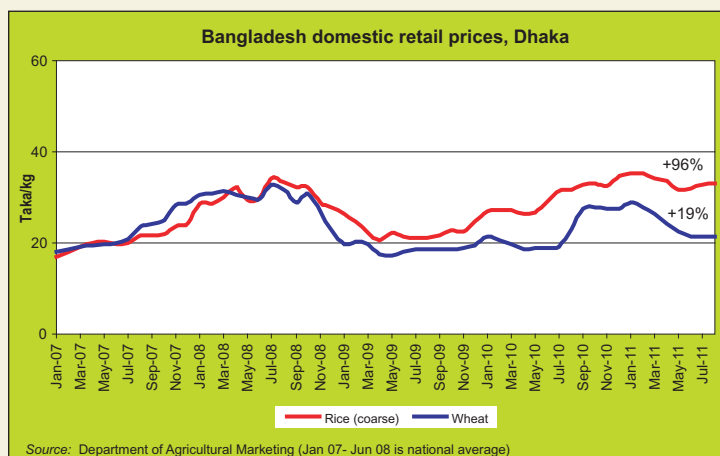
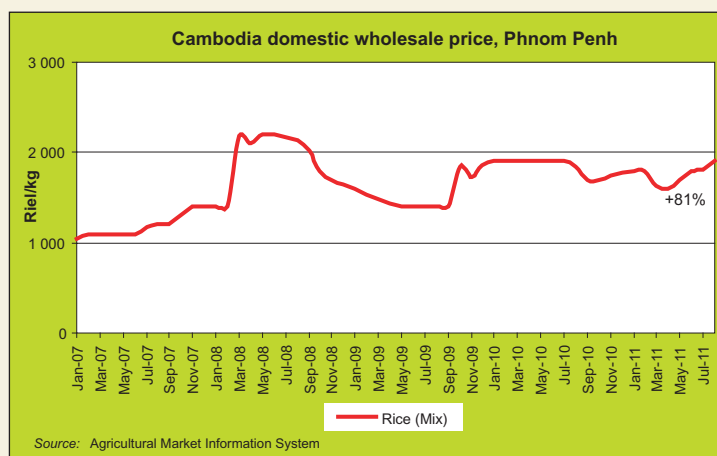
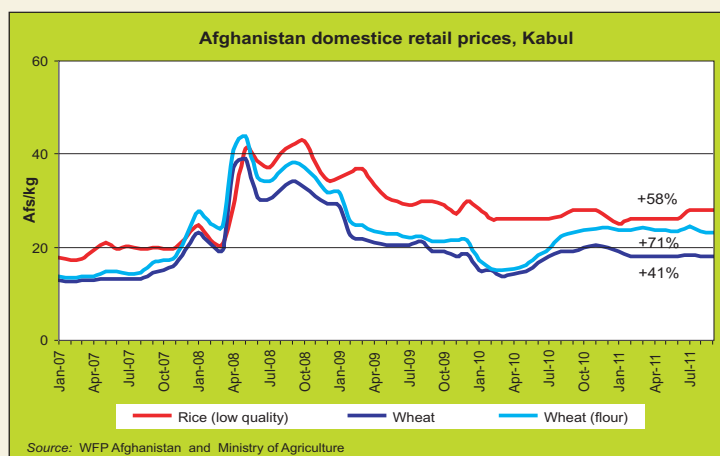
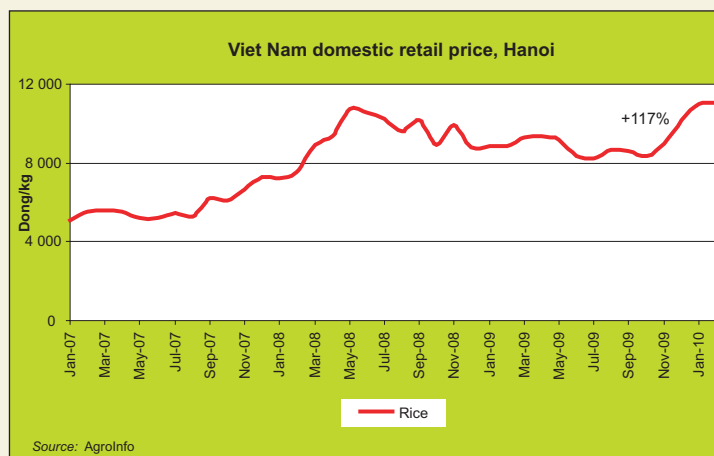
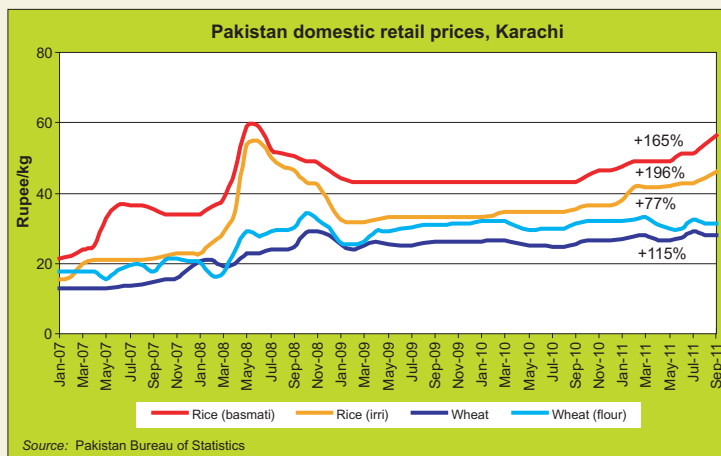
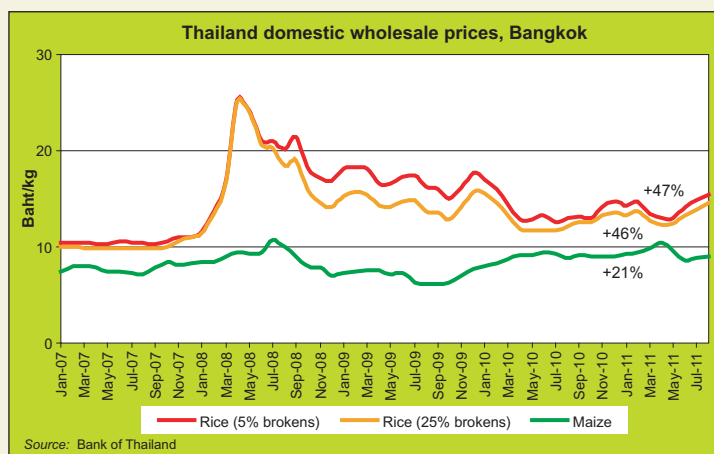
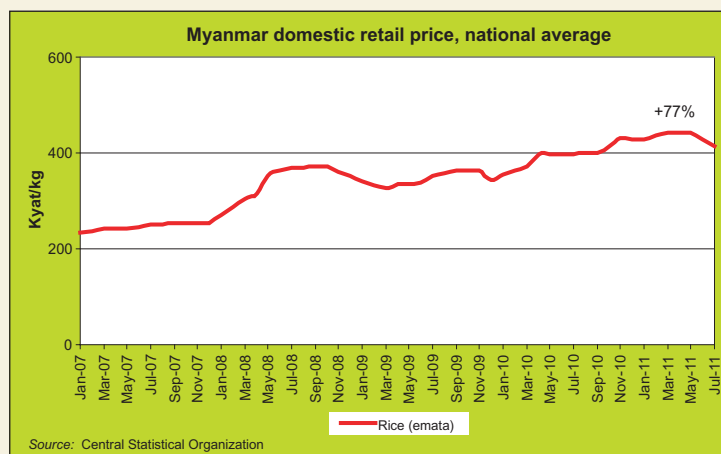
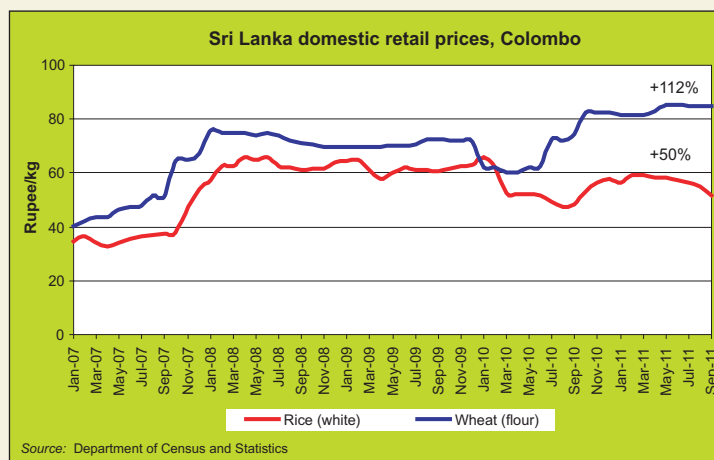
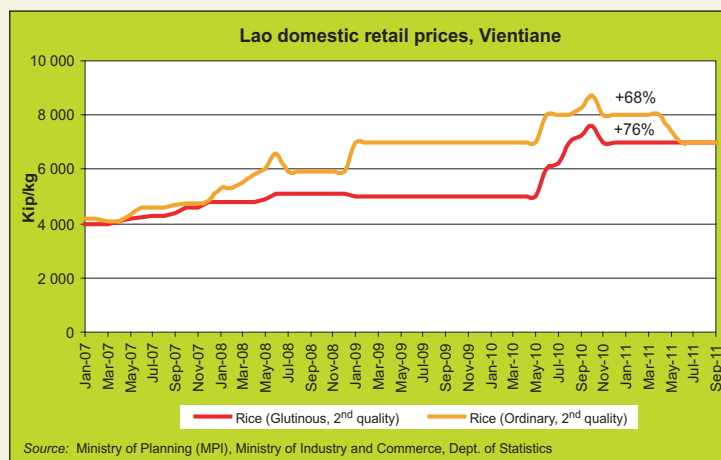
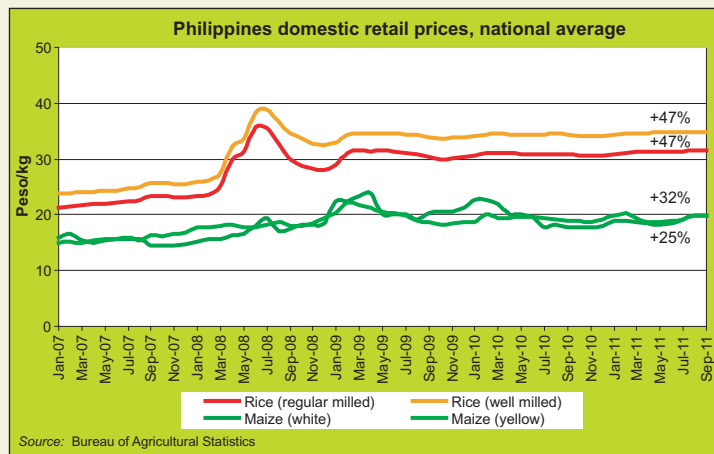
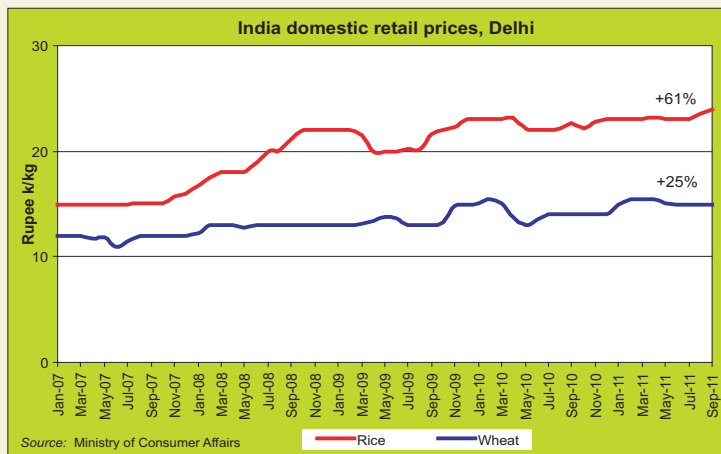


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



the impact of severe flooding in mainland Southeast Asia could be assessed. The organization noted improved harvests in **Cambodia, India, the Philippines and Timor-Leste.**

Paddy rice accounts for about 56 per cent of the total cereal harvest. FAO expects a record rice harvest of 647 million tonnes, driving the entire 2.8 percent increase in the cereal harvest.

Although **China** has suffered its worst drought in 50 years, FAO believes cereal output will not drop significantly because of corrective measures, including increased irrigation, taken by the government. Severe flooding, however, will likely leave Sri Lanka with a poor cereal harvest.

Preliminary estimates indicated that total rice exports from East and Southeast Asia will drop slightly, despite an anticipated 500 000 increase in rice imports by **Indonesia, the Philippines and Malaysia.** The regions are net importers of wheat, and 33 million tonnes of the grain are expected to be imported this year.

In Central Asia, wheat output will be below average in **Afghanistan.** Output in **Iran** will be similar to 2010 at about one million tonnes, although that will still be below the high levels achieved from 2004-2007.

### **Floods taking heavy toll on mainland Southeast Asia**

As yet another tropical storm approached mainland Southeast Asia in early October, government officials and aid agencies began releasing estimates of the damage from severe flooding that has plagued the region since mid-July. **Thailand, Cambodia, Lao PDR, Myanmar and Viet Nam** have sustained damage to crops and farmland.

**Thailand's** Bank of Agriculture and Agricultural Cooperatives predicted that roughly 5 million tonnes of unmilled rice paddy will be lost to flooding from an original projection of a 25-million-tonne harvest. Thailand's Department of Disaster Prevention and Mitigation said that the floods have killed 283 people, while the UN Office for the Coordination of Humanitarian Affairs (OCHA) said 2.4 million people in 58 of the country's

77 provinces have been displaced. The Research Institute of the Thai Chamber of Commerce has estimated damage to the economy at USD 3.4 billion, while economists believe the floods will reduce the country's gross domestic product by between 1 and 1.3 percent for the year.

In neighbouring **Cambodia,** 207 people have died, more than 28 000 families have been displaced and over one million people affected as the rains have caused the country's two main rivers – the Mekong and the Tonle Sap – to overflow. Flooding has been reported in 18 of 24 provinces. Kampong Thom has been the hardest hit province with 44 000 people displaced and more than 50 percent of them left with no shelter. More than 290 000 hectares of rice paddy have been destroyed with the government estimating damages at USD 60 million. According to OCHA, local media reports said the government has made 1 700 tonnes of rice available for emergency distribution.

In **Viet Nam,** the death toll has reached 24, including 21 children. Nearly 24 000 hectares of rice paddy have been flooded, 6 553 totally destroyed and 1 900 households evacuated. Half the flooded farm land is in the Mekong Delta, the country's most important rice growing area, and government officials said an additional 99 000 hectares in the area were under threat. The government has disbursed USD 8.2 million in relief funds for those in the Delta region. Total damage has been estimated at USD 45.7 million.

In **Lao PDR,** the World Food Program has distributed aid to over 200 000 people in five provinces as the floods have killed at least 30 people and affected another 400 000. No fatalities were reported in **Myanmar,** but 282 hectares of fish farms in Kayah State, 157 hectares in Shan State and 147 hectares in Sagaing Division were destroyed, according to the Myanmar Fisheries Federation.

### **FAO seeks USD 18.9 million for flooded Pakistan**

Floods have killed 361 people in the southern Pakistan province of Sindh, affected over 8 million others and destroyed 840 000 hectares of crop land. The disaster has led FAO to call for USD 18.9 million in time-critical assistance to

protect and restore agricultural livelihoods. FAO said that further agricultural losses can be prevented with a timely response and prioritized interventions. In addition to human fatalities and lost crops, 79 000 livestock have perished and another 5 million animals are at risk.

The floods that have ravaged southern Pakistan since mid-August have destroyed crops that include cotton, rice, sugar cane, sorghum, vegetables and pulses. The wheat crop is also in danger as irrigation infrastructure has been damaged and around 80 percent of the wheat crop in Sindh relies on irrigation. "The destruction of standing crops and production inputs has wiped out farmers' present and future sources of food and income. Delayed action will lead to worsening food security, increased public health threats, loss of land tenure ... and longer-term dependence on food assistance," FAO said. Livestock, which supply milk, meat, income and draught/tillage power, often represent a family's entire life savings.

### **ASEAN+3 creates emergency regional rice reserve**

Food security in Southeast and East Asia received a major boost in early October when agriculture ministers from the Association of Southeast Asian Nations plus China, Japan and the Republic of Korea (ASEAN Plus Three) signed an agreement in Jakarta to establish a regional rice reserve.

With the signing of the ASEAN Plus Three Emergency Rice Reserve (APTERR) agreement, the region will be better prepared to meet food relief requirements resulting from natural disasters and humanitarian emergency situations, the regional bloc said on its website. "There is a need to strengthen regional cooperation to ensure food security in East Asia, which the APTERR Agreement will promote," said Dr Surin Pitsuwan, Secretary-General of ASEAN.

The organization also said that in the future APTERR could be expanded to include other staple food commodities to support the region's response to volatility in food prices and surges in food demand.



In total, the 13 countries set aside USD 4 167 500 in capital reserves for the fund, and 787 000 tonnes of rice. Countries earmarked the following tonnes of rice for the reserve:

Brunei Darussalam	3 000
Cambodia	3 000
Indonesia	12 000
Lao PDR	3 000
Malaysia	6 000
Myanmar	14 000
Philippines	12 000
Singapore	5 000
Thailand	15 000
Viet Nam	14 000
China	300 000
Japan	250 000
Republic of Korea	150 000

### Myanmar traders aiming for more rice exports

Rice traders in Myanmar are hoping to export 1 million tonnes of the grain this year, the Myanmar Business Network website reported. Traders said they hoped to benefit from higher prices for Thailand's rice, believing that buyers will turn to Myanmar and other countries to find more affordable rice. The government has helped rice exports by waiving an 8 percent export tax on rice and 14 other goods. The waiver will last until February and be reconsidered at that time. Myanmar exported 570 000 tonnes of rice during the last fiscal year which ended March 30, and has already

shipped 370 000 tonnes during the first half of the current fiscal year, according to Deutsche Presse-Agentur news agency. Export totals were helped by sales to markets in West Africa, Bangladesh and the Philippines. Prior to World War II, Myanmar shipped more than 3 million tonnes a year of rice, making it the world's largest rice exporter at the time.

### Cambodia exports less rice but earns more

Soaring food prices were responsible for Cambodia's 200 percent increase in revenues from rice exports during the first eight months of 2011, even as rising prices drove the volume of rice exports down. According to the Ministry of Commerce, rice exports garnered USD 59.8 million from January through August, a steep increase over the USD 19.6 million they earned during the same period in 2010, the Phnom Penh Post newspaper reported. On the other hand, export volumes declined by 10 percent from 2010's total of 117 186 tonnes. Prices for a tonne of rice were roughly USD 100 higher than a year ago. Government officials said they believed that consumers in the European Union and the United States, where incomes were declining, were choosing other items to eat in the face of rising rice prices.

### Thailand and Indonesia resolve rice sale

Indonesia purchased 100 000 tonnes of 5 percent broken milled rice from

Thailand in early October, completing its rice import quota target for the year. The sale was concluded two weeks after Thailand's Minister of Commerce refused to sign a contract to sell 300 000 tonnes of rice to Indonesia saying the price was too low and that Indonesia will have to understand. The original memorandum of understanding (MoU) with Indonesia was negotiated and agreed upon during August before the new government took office. Thailand's new government has changed the terms of its rice procurement programme, promising to pay local farmers higher prices.

Indonesia buys rice mainly from Thailand and Viet Nam, but has said it will also look at importing rice from China, Pakistan, India and Myanmar.

Indonesia has reached agreements to import 1.6 million tonnes of rice through February 2012 with 1.2 million tonnes purchased from Viet Nam and 400 000 tonnes secured from Thailand in government-to-government deals. Indonesia is rebuilding its rice stocks with a target of 1.5 million tonnes. The country is forecast to produce 68 million tonnes of unmilled rice in 2011.

Indonesia is striving to become self-sufficient in rice production by 2014. The International Rice Research Institute said in early October that the goal could be achieved, but that Indonesia would need to do much more to increase yields from land already under cultivation rather than attempting to increase the area used for growing rice.

#### Economic, Social and Policy Assistance Group (ESP)

##### FAO Regional Office for Asia and the Pacific

39 Phra Atit Road, Bangkok 10200, THAILAND

**Phone:** +66-2-697-4250

**E-mail:** [FoodAsia@fao.org](mailto:FoodAsia@fao.org)

To subscribe, please e-mail [mailserv@mailserv.fao.org](mailto:mailserv@mailserv.fao.org), leave the subject blank and type subscribe Food-Asia-L

#### Disclaimer and Acknowledgements

This update is prepared with information from official and unofficial sources. None of the information in this update should be regarded as statements of governmental 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 the European Union through the EC-FAO Food Security Programme *Linking information and decision-making to improve food security* is gratefully acknowledged for its contribution in preparing this update. The contents of this publication are the sole responsibility of the author and can in no way be taken to reflect the views of the European Union.