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Table of contents

- Rice prices uncertain after Southeast Asian floods 1
- Food prices at 11-month low, but still volatile 4
- Domestic prices 4
- Cambodia repeals rice tax, struggles with inflation 4
- Thai floods delay exports of Lao organic produce 5
- Myanmar wins rice award 5
- China's corn imports hit 10-month high 5
- Russian grain exports exceed forecasts 5

List of figures

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



Rice prices uncertain after Southeast Asian floods

International rice prices are uncertain in the wake of flooding that has devastated several nations in Southeast Asia, according to FAO. Despite the loss of a few million tonnes of rice in Thailand because of the floods, FAO has raised its forecast for global production in 2011 by 2.4 million tonnes to 721 million tonnes, a 3 percent increase and a new record. The agency also predicted that the international rice trade for the year will increase by 1 million tonnes to 34.3 million tonnes, a 9 percent increase and an all-time high.

The floods that began in September have affected Thailand, Cambodia, Viet Nam, Lao PDR and to some extent Myanmar in the Mekong subregion. The Philippines has also suffered from flooding, as have parts of Pakistan. Thailand has been hardest hit. More than 500 people have died and about 2.4 million people in 60 of the country's 77 provinces have been affected.

While the flooding is not expected to have a significant impact on food security at the national level in Thailand, which holds large rice stocks, and other countries, FAO is monitoring the crisis and said "there are

concerns about temporary food supply shortages in the affected communities due to the difficulties in delivering food assistance." The organization said it was consulting with governments and potential donors about possible emergency support to affected farmers.

Opinions are divided on how the floods will affect rice prices. The World Bank has warned of possible spikes in the price of rice, but the International Rice Research Institute and the Thai Rice Exporters Association said the flooding is unlikely to have a major impact on already high rice prices. Nonetheless, the export price for Thailand's white 100 percent B grade, the industry benchmark, rose on 9 November by USD 19 to USD 649 a tonne from USD 628 a tonne one week earlier. At the end of October, the price was USD 618 a tonne.

FAO said it does not expect a price surge as a result of the natural disaster, and added that a new Thai government policy of paying higher prices to rice producers will have a greater impact on Thailand's exports than the floods. Many importing countries already have ample rice stocks, and there is more rice to be traded after India lifted its ban on rice exports, the organization said.

Figure 1: Selected international cereal prices



FAO said the revision in its rice forecast reflects anticipated improved rice harvests in Bangladesh, China, Egypt, India and Viet Nam which more than outweigh a worsening of prospects in Indonesia, the Republic of Korea, Madagascar, Myanmar, Pakistan, the Philippines and Thailand.

Much of the growth is occurring in Asia, in spite of consecutive storms and flooding. The region is now expected to produce 651 million tonnes, 3 percent above the 2010 outcome. Strong gains are forecast in China and India, with Bangladesh, Pakistan and Viet Nam also anticipated to make sizeable contributions.

Thailand is the world's largest rice exporter, having shipped about 11 million tonnes, or roughly one-third of the rice traded on international markets in 2010. More than 1.6 million hectares of crop land, or about 12.5 percent of the national total, have been damaged, according to the Government's Office of Agricultural Economics. FAO estimates that the main rice crop will drop to

21 million tonnes from the 25.1 million tonnes originally forecast. Part of the losses should be recouped, however, from the second crop. The organization is now forecasting overall paddy production of 32 million tonnes for 2011, a favorable result when compared with the 34.5 million tonnes produced in 2010, which was an all-time high.

About 70 percent of the annual rice harvest was still in the fields when the floods arrived. In addition, the Ministry said 9.9 million head of livestock were at risk.

The government's Rice Department is planning to distribute 72 100 tonnes of rice seeds to affected farmers. FAO has joined an ongoing World Bank/Ministry of Finance-led preliminary damage and needs assessment, and is preparing emergency assistance to the livestock sector financed from FAO's own resources.

Flooding has also significantly damaged the rice crop in neighbouring **Cambodia**. The Ministry of Agriculture, Forestry and

Fisheries estimated that more than 332 600 hectares of rice fields, or about 12 percent of land under rice cultivation, have been affected. The wet season crop accounts for 80 percent of national production. Before the disaster, Cambodia was expecting a record harvest of 8.9 million tonnes, a 7.2 percent increase over 2010. In addition, more than 250 people have perished and over 1.6 million people have been affected. According to the Phnom Penh Post newspaper, the government had set aside 3 000 tonnes of rice seeds to distribute to farmers whose crops were destroyed by flooding and had so far distributed 1 900 tonnes of rice to those affected by the floods in 18 provinces. FAO said that a full assessment of damage to agriculture will be undertaken once the floods recede, with FAO providing rice and vegetable seeds, farming tools and equipment, as well as post-harvest technical assistance.

In **Viet Nam**, flooding has damaged nearly 23 000 hectares of rice paddy, killed 69 people and affected at least

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

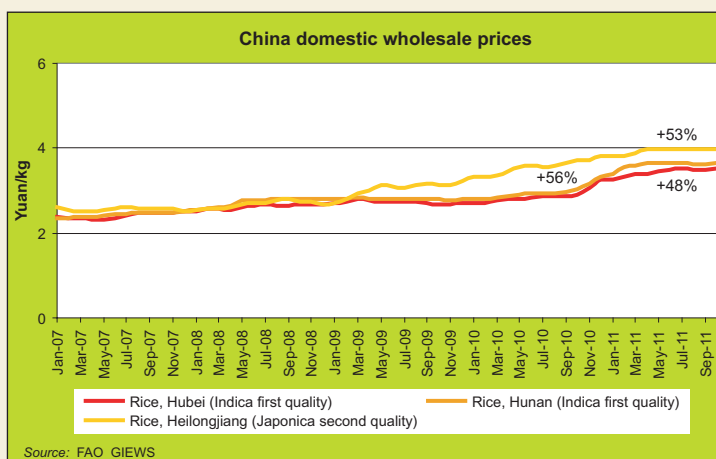
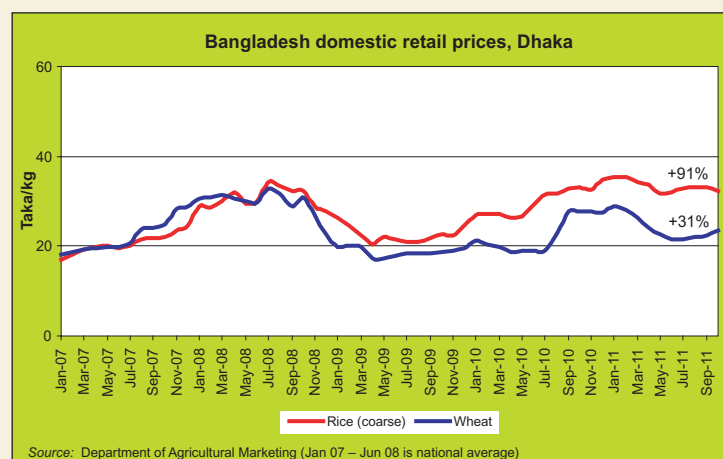
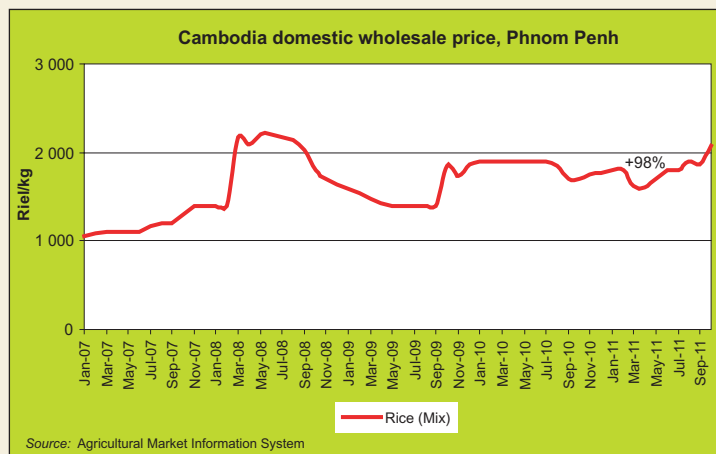
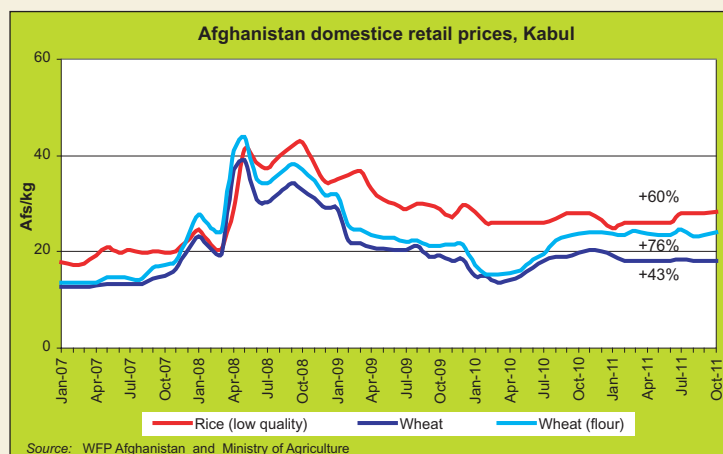
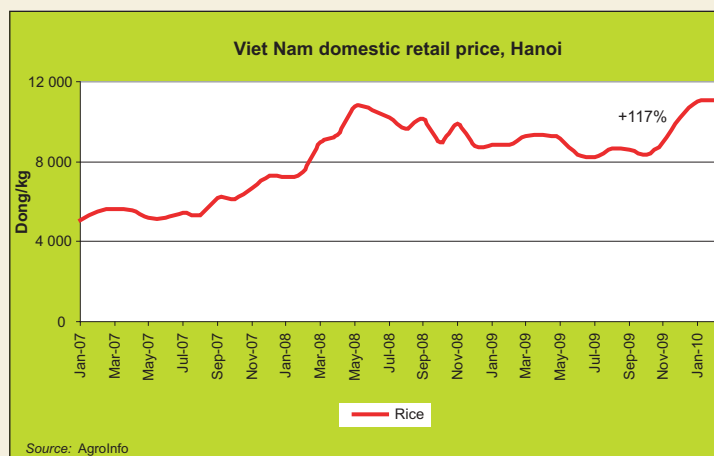
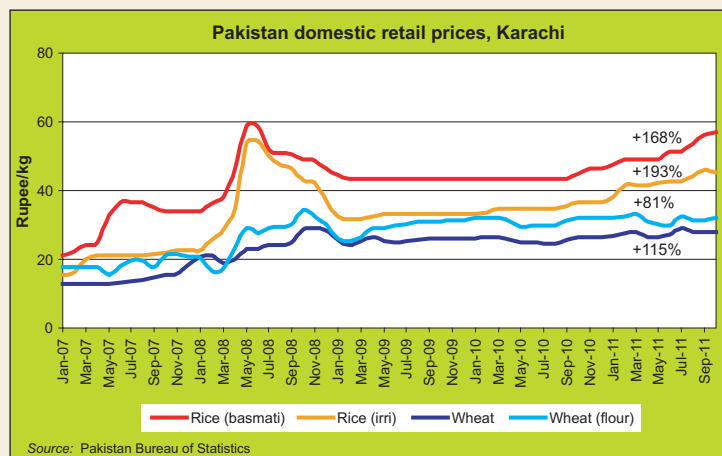
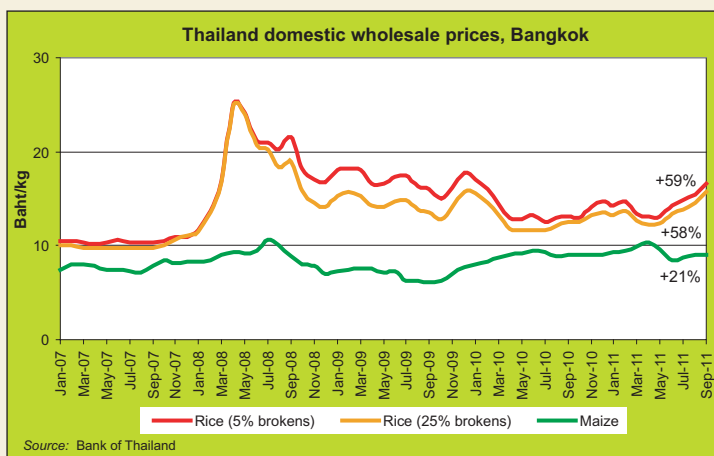
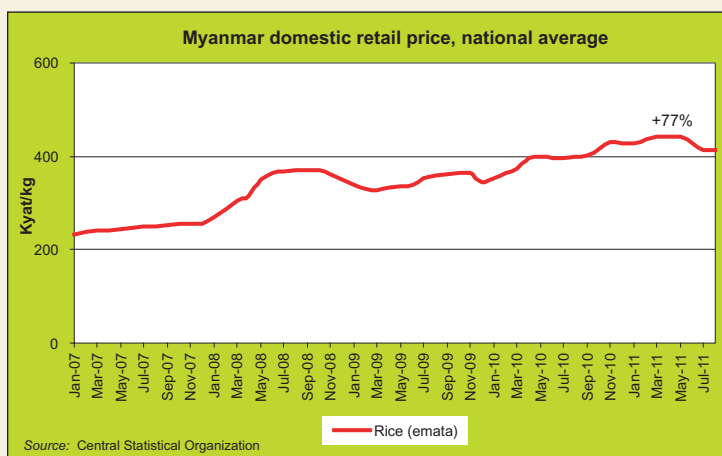
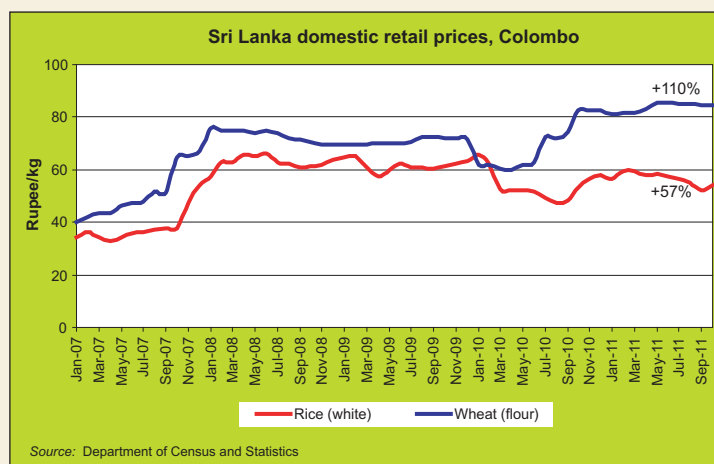
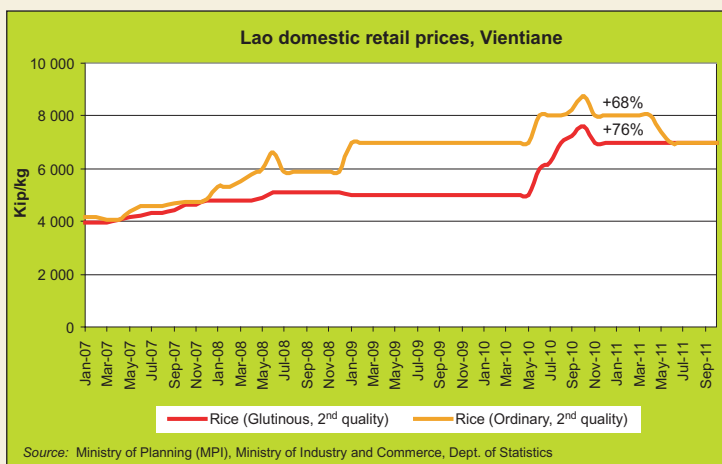
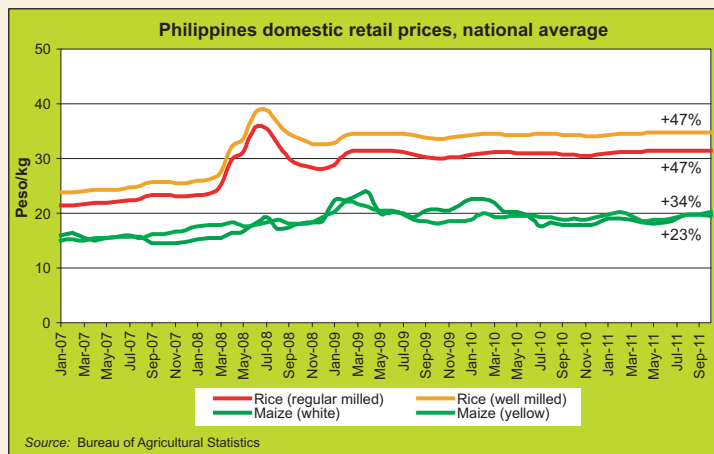
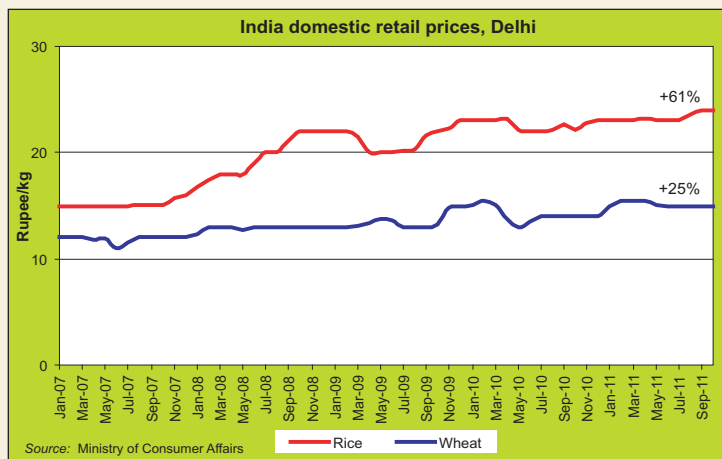


Figure 2: Trends in domestic prices for key commodities in selected countries (continued)



330 000, mostly in the Mekong Delta region. **Lao PDR** has suffered damage to 64 000 hectares of rice fields since June when tropical storm Haima followed by tropical storm Nock-Ten in July triggered a series of floods that continued through the wet season. According to FAO, 48.3 tonnes of rice seeds and household rice stocks were lost. UN Office for Coordination of Humanitarian Affairs (OCHA) reported that 30 people died and 430 000 were affected. In **Myanmar**, flash floods in late October killed at least 215 people in Magwe Division.

The **Philippines** has also sustained damage from two typhoons, Nesat and Nalgae, laying waste to 420 337 hectares of rice fields, or 6 percent of land under rice cultivation, and destroying 728 379 tonnes of paddy. At least 98 people perished and more than 4 million have been affected by the storms and flooding. Additionally, the floods have impacted over 3.3 million livestock and poultry.

In South Asia, flooding in Sindh province in **Pakistan** has killed 141 people and affected over 5 million, damaging 525 000 hectares of crop land and killing 120 000 livestock, according to The Pakistan Observer news website.

Food prices at 11-month low, but still volatile

Prices for most major food commodities except rice continued to decline during October, driving the FAO Food Price Index to its lowest level in 11 months. The index, released on 3 November, fell nine points to 216, a 4 percent drop from the previous month, and 9 percent below the all-time high of 238 in February of 2011. The index has been steadily sliding downward since June.

Nonetheless, prices were still 5 percent higher than at the same time last year, and FAO warned that they remain volatile for reasons unrelated to purely supply and demand factors.

Although global supplies of most key commodities have increased and demand has weakened, global economic turmoil is contributing to food price uncertainty. According to FAO's semi-annual Food Outlook: Global Market Analysis report, released in early

November, commodity prices tend to move in tandem with financial and equity markets. Those markets have been unstable. Fluctuations in exchange rates and energy markets are also contributing to sharp price swings in agricultural commodities. Consequently, market conditions remain tight and predicting near- or medium-term price trends is difficult.

During October, cereals led the way in pushing prices down, as aggregate cereal prices fell by 5 percent from September. The steady slide in cereal prices reflects a strong recovery in production and slow economic growth in many developed countries dampening overall demand, particularly from the feed and biofuels sectors. FAO's Food Outlook is forecasting a 6 percent increase in wheat production this year, and a 3.4 increase in supplies of coarse grains.

The Sugar and Dairy Price Indices also declined by 5 percent each. Better than expected harvests in Brazil, the world's largest sugar producer, and in Australia, Europe and India lay behind falling sugar prices, while dairy prices were affected by the weakening Euro which fostered more competition among exporters. Prices for oils and fats fell by 6 percent, partly on robust production of palm oil in Southeast Asia. The FAO Meat Index saw only a marginal decline.

Domestic prices

Cambodia registered the sharpest increases in domestic rice prices during the month of October, with mixed rice soaring by 10.3 percent from September and more expensive varieties shooting up by 6.1 and 5.7 percent. Mixed rice was a punishing 29 percent costlier than at the same time last year. Losses from flooding were the main reason for recent rises, although prices had begun to stabilize by the end of the month. **Afghanistan** saw a 5 percent increase in rice prices in October, and rice rose by 4.6 percent in **Sri Lanka**. Meanwhile, the price of rice in **Myanmar** tumbled by 18.3 percent during October as local producers released more stocks on to the domestic market because currency fluctuations made exporting less competitive. Grain distribution by the

Government of **Bangladesh** helped push local rice prices down by 6.1 percent. Otherwise, domestic prices for rice were largely unchanged in other countries around the region.

Wheat prices rose by a hefty 11.5 percent in **Bangladesh** during October as the government imported over 32 000 metric tonnes of the grain. **Myanmar** also weathered a 4.8 percent price increase for the month, as currency fluctuations made imports more costly. Although a wheat producer, **Pakistan** weathered a 2.2 percent increase in prices as flooding damaged crops. Neighbouring **Afghanistan** enjoyed the opposite trend in October, as wheat prices declined by 1.8 percent. Wheat prices also fell by 1.1 percent in **Sri Lanka**. The price of wheat was stable in **China**, **India** and **Indonesia**.

The price of maize fell in most countries in the region during October with **Myanmar** recording the steepest drop at 12.3 percent, followed by **Afghanistan** at 9.2 percent and **Fiji** at 4.6 percent. Fiji also saw its prices for cassava and taro fall by 5.6 and 3.6 percent respectively. Conversely, taro rose by 6.4 percent in **Samoa**, and giant taro, or ta'amu, registered a giant increase of 42.3 percent since September. In **Myanmar**, soybean prices rose by 10.1 percent.

Chicken prices fell by 17.9 percent in **Bangladesh**, 10 percent in **Afghanistan** and 5.4 percent in **Indonesia** during October. While in **Thailand**, pork prices plunged by 15.6 percent on increased supplies as swine farms recovered from outbreaks of disease.

Cambodia repeals rice tax, struggles with inflation

Cambodia's Ministry of Finance repealed a 1 percent tax on rice producers in an edict signed on October 11, the Phnom Penh Post newspaper reported. The removal of the tax on both rice producers and millers is intended to stimulate the country's rice exports. Cambodia hopes to export 1 million tonnes of rice a year by 2015. Rice exporters in Cambodia had long been asking for the tax to be removed, saying that neighbouring Thailand and Viet Nam do not tax rice producers or exports, and

so have an advantage. The repeal of the tax will last for three years.

Meanwhile, the global rising costs of food and fuel are driving inflation in the country, as year-on-year inflation hit 6.7 percent for the month of September, according to the National Institute of Statistics. Imported goods were largely responsible. Petrol rose 19.8 percent year on year, while the price of meat increased by 20.6 percent over the same period. Overall food inflation was running at 8.1 percent year on year. The Phnom Penh Post quoted Kim Savuth, president of local rice miller Khmer Food, as saying the price of grade No. 2 milled rice – a locally marketed grain – jumped to USD 550 per tonne, up from USD 480 per tonne during September.

Thai floods delay exports of Lao organic produce

Thailand's floods are causing problems for Lao PDR's fledgling organic produce industry, as shipments of organic fruits and vegetables to the Middle East have been halted because of logistical failures, according to the Vientiane Times newspaper. The owners of Pakxong Organic Farm, a 500-hectare concern in Champassak province, said the 200 kilogrammes of produce it exports to the Middle East each week have stopped because roads in Thailand and the packaging company the farm uses in that country have been damaged. Lao PDR is landlocked and relies on ports in

neighbouring countries. Exports aren't likely to resume until February, the owners said, at which point Middle Eastern buyers said they will be asking for 370 tonnes of the farm's produce each year. The farm expects to begin exports to the EU in 2012.

Myanmar wins rice award

Myanmar's Parel Rice was named "World's Best Rice 2011" at the World Rice Conference 2011 hosted by Viet Nam in Ho Chi Minh City in October. Known locally as Paw San Fragrant Rice, Parel Rice scored 14 out of a possible 15 points in the competition to edge out Thailand's world-renowned Jasmine Fragrant Rice by 0.25 points. In the years following the Second World War, Myanmar was the world's largest rice exporter, a distinction now held by Thailand. After decades of inward-looking economic policies, Myanmar has once again begun exporting rice and recently put a moratorium on an export tax to help increase rice sales overseas.

China's corn imports hit 10-month high

Imports of corn in China hit a 10-month high of 245 000 tonnes in August, the latest month for which statistics were available, according to the China Daily newspaper. Analysts said the imports may help ease the upward pressure on domestic corn prices, and said corn imports would continue to rise through

the remainder of the year, as prices for the grain on international markets were falling. Corn is used as feed for pigs, and pork is the staple meat of China. China Daily quoted Hu Bingchuan, researcher at the Rural Development Institute of the Chinese Academy of Social Sciences, as saying that corn imports could exceed 2 million tonnes for the year, setting a new record and surpassing the 1.57 million tonnes imported in 2010. China is expected to produce 180 million tonnes of locally-grown corn in 2011, according to the Ministry of Agriculture.

Russian grain exports exceed forecasts

Russia has exported about 12 million tonnes of grain through the middle of October, exceeding predictions that its grain shipments would total 11 million tonnes for the year, according to its Ministry of Agriculture. Russia resumed exports of wheat in July, having halted shipments for about a year when the country was hit with a severe drought. The absence of Russian wheat on international markets helped drive prices of the grain, and overall food inflation, higher. Russian officials believe the country is capable of exporting 24-25 million tonnes of grain each year. To keep domestic prices stable, however, Prime Minister Vladimir Putin recently said that Russia will tax grain exports if they exceed 25 million tonnes for the year, Itar-Tass news agency reported.

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