



HIGHLIGHTS

- In July, the pace of general and food inflation in the region has continued to slow over the previous month to a rate of 2.5 percent and 2.4 percent respectively over the previous year.
- In India, prices for pulses have been gradually increasing since one year ago because of a sharp decline in production resulting from unfavourable rainfall.
- Rice prices in Indonesia were 7.2 percent higher than a month ago because of dry weather.
- In Myanmar, floods caused by Cyclone Komen damaged nearly 270 000 hectares (667 221 acres) of planted crops have been destroyed disrupting planting of the main rice crop that accounts for the bulk of annual production.
- China will begin buying 1 million tonnes of rice from Thailand in September as part a 2 million tonne government-to-government agreement.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

General inflation in the region has continued to slow over the previous month to a rate of 2.5 percent and 2.4 percent respectively over the previous year.

In July, general inflation in Bangladesh rose by 1.7 percent, and food prices by 2 percent. Consumer prices registered a 0.3 percent increase in China in July, although food inflation edged up by 0.7 percent as a 4.6 percent rise in meat prices was offset by a 5.9 percent fall in fresh fruit prices.

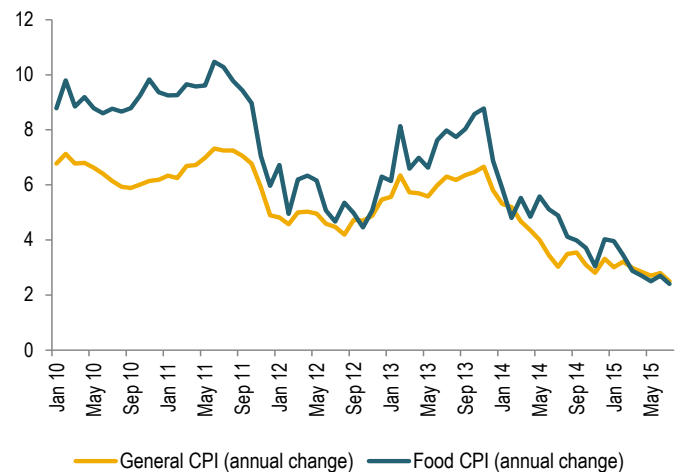
In Indonesia, general inflation was up 0.9 percent, and food price inflation ran at a 0.2 percent clip on higher prices for red chilli, fresh fish, chicken and fresh vegetables. In Pakistan, general and food inflation were up 0.4 percent and 0.1 percent, respectively, as prices rose for gram, potatoes and fresh fruit.

General inflation in the Philippines increased by 0.1 percent, and food price inflation rose by 0.4 percent. Samoa's general inflation was unchanged from June, but food prices were up 0.3 percent. Sri Lanka's general and food price inflation increased 0.7 percent. In Thailand, general inflation dropped by 0.1 percent, but food price inflation rose by 0.4 percent. Viet Nam's general and food price inflation increased 0.1 percent.

FOOD PRICES

The FAO Food Price Index fell to its lowest level since September 2009 and averaged 164.6 points in July, down 1.7 points (1 percent) from June, and 40 points (19.4 percent) from July 2014. Dairy and vegetable oil prices led the declines. A 9-point (5-percent) decline in the index for

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.

vegetable oils was partly a result of falling international prices on improved palm oil production in Southeast Asia. Dairy prices declined by 11.5 points (7.2 percent) reflecting a combination of ample supplies in New Zealand and Europe, and reduced demand in China, the Middle East and North Africa.

Maize prices rose 5.2 percent on larger crops in Europe and South America, but were 2 percent lower than one year ago. Wheat prices dropped by 1.9 percent in July, and were down 20.1 percent year on year as last year's exceptionally high yields were returning to average levels. Thai rice prices (white 100% grade B) increased 4.2 percent. Production prospects did not improve as expected in Asia, particularly in India. Although carryover stocks are being off-loaded in the market, the size of the rice trade in 2016 is expected to remain virtually the same as in 2015.

The **regional rice price index** was down by 0.2 percent in nominal terms in July and was unchanged from one year ago. The real price of rice was 1.8 percent lower than last month, and 2.2 percent lower than one year ago. On a monthly basis, the nominal price of rice declined in South Asia, India and Southeast Asia by 0.7 percent, 0.3 percent and 0.2 percent, respectively. In East Asia, nominal rice prices remained unchanged.

Year-on-year nominal prices fell 6.3 percent in South Asia and 3.3 percent in India, but rose by 3.3 percent both in Southeast Asia and East Asia. In South Asia and India, real prices declined by 11.5 percent and 5.9 percent, respectively, followed by a 3-percent drop in Southeast Asia. Real prices for rice increased by 2.9 percent in East Asia.

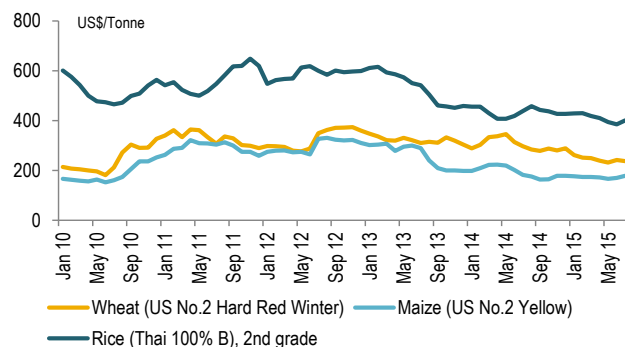
The **regional wheat price index** was 0.8 percent higher than June in nominal terms, and was 2.8 percent higher than a year ago. Month on month, nominal prices rose 1.8 percent in South Asia, 1.4 percent in India and 0.6 percent in Southeast Asia, but these increases were offset by price stability in East Asia. Year on year, nominal prices were down 4.8 percent in South Asia, with increases in East Asia, India and Southeast Asia of 4.8 percent, 4.4 percent and 1.7 percent, respectively.

Real wheat prices in the region decreased by 1.4 percent during July, and were 0.4 percent higher than one year ago. Compared to one month ago, prices were down 3.3 percent in East Asia and 1 percent in Southeast Asia, but up 1.7 percent and 1 percent in South Asia and India, respectively. Year-on-year real prices dropped by 10.4 percent in Southeast Asia and 5.5 percent in South Asia, but rose by 2.1 percent in East Asia. Real wheat prices also increased in India by 1.4 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. Prices for India represent an average of 4 markets in Chennai, Delhi, Mumbai and Patna.

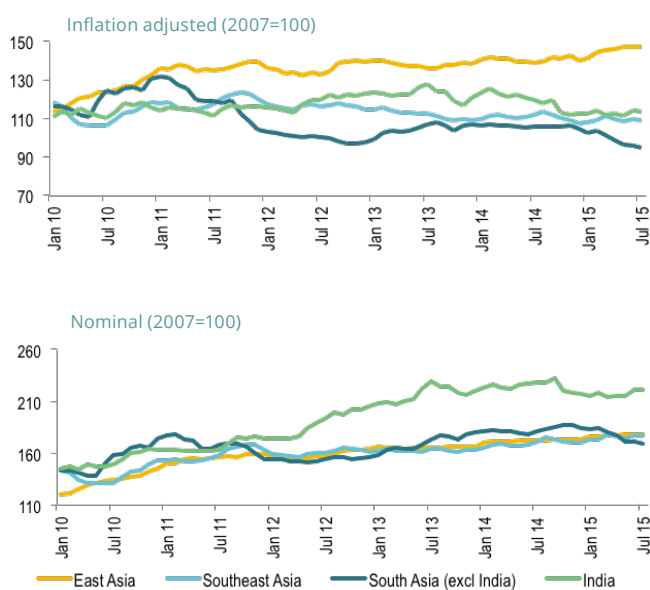
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia for the wheat index. Prices for India represent an average of 4 markets in Chennai, Delhi, Mumbai and Patna.

Global benchmark prices

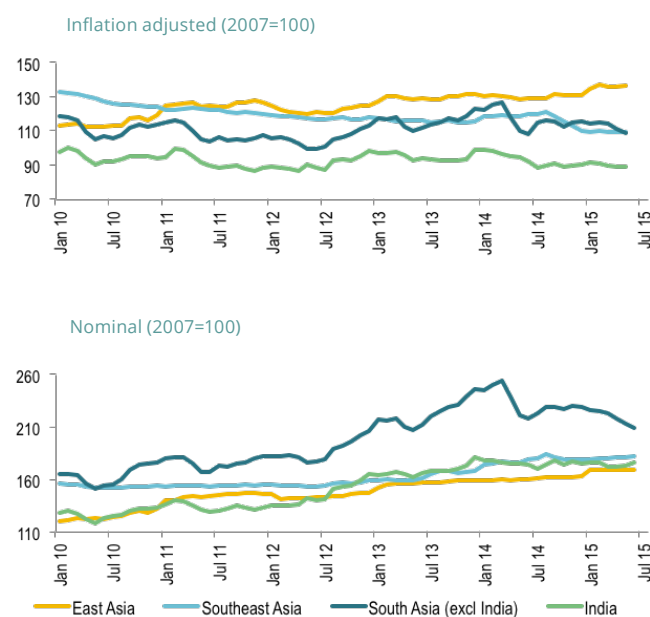


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **Afghanistan** (Kabul markets), wheat prices were stable during July, but were 20 percent lower than a year ago. Since November 2014, wheat flour prices have been declining and were 13.9 percent lower than a month ago, and 14.3 percent lower than a year ago. Stable local wheat prices can be attributed to a boost in availability from the main spring harvest. Wheat flour is mainly imported, and the recent price decrease can be explained by a steady supply from Pakistan and Kazakhstan.

The price of low-quality rice, a substitute for wheat, increased by 4.6 percent and was 2.5 percent higher than a year ago. High-quality rice prices increased 3.1 percent from June, but dropped by 14.5 percent from July 2014.

Prices for diesel fuel (not shown in graph), essential for cooking, have continued to drop since September 2014, and were 27.4 percent and 30.6 percent lower than a month and a year ago, respectively.

In **Cambodia** (Phnom Penh markets), prices for all selected rice varieties continued to be stable (not shown in graph). Official estimates for aggregate rice production for 2015 are 9.3 million tonnes, with adverse weather expected to push the total marginally below the 2014 result.

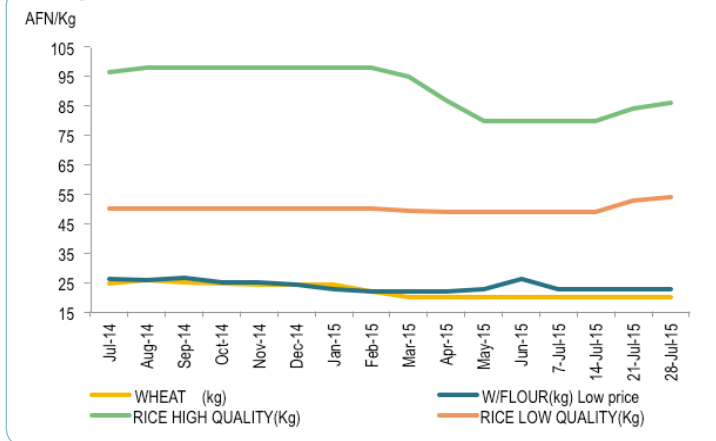
Prices for beef, chicken and live fish were stable on a month-to-month basis, but rose 14.3 percent, 12.5 percent, and 10 percent, respectively on an annual basis. In July, pork prices were unchanged from the previous month, but were 4.3 percent lower than a year ago.

In **India** (New Delhi markets) prices for coarse rice and wheat (not shown in graph) remained relatively stable during July. Compared to one year ago, however, coarse rice prices have risen by 11.1 percent and wheat prices by 2.9 percent.

Prices for pulses had been gradually increasing during the past year on a sharp decline in production. Prices peaked in June and then began to decline. However, on a yearly basis, prices for pulses remained significantly higher. In annual terms, arhar (pigeon pea) and gram (mung bean) prices increased the most with arhar rising 60.7 percent. Split gram prices increased 39.5 percent and whole gram prices were up 31.6 percent. Other pulses, such as black lentils (urad), red lentils (masoor) and green gram (moong), had monthly price declines of 11.5 percent, 11.2 percent, and 9.6 percent, respectively. However, their prices were significantly higher than one year ago, with black lentils up 51.8 percent, red lentils up 41.2 percent and green gram up 22.2 percent.

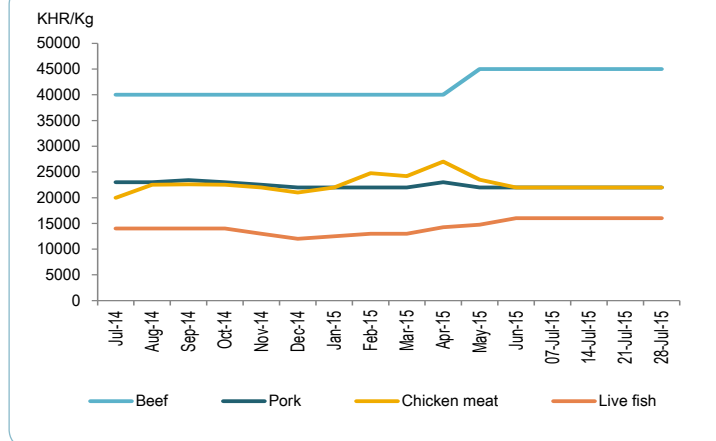
Since 2007, the Government has taken various steps to improve domestic availability of pulses, such as expanding the National Food Security Mission in Northern and Hill States. In 2013, the Government took more serious steps to improve availability. The import tariff was reduced to zero percent, and the export of edible oils was banned. In addition to the trade measures, some states have taken some measures to tackle this issue. For example, the state of Maharashtra removed stock limits for domestic pulses, edible oils and oilseeds in April. Production measures included a 19-million-tonne production target in winter coupled with a summer compensation programme. This year, to increase pulses

Afghanistan



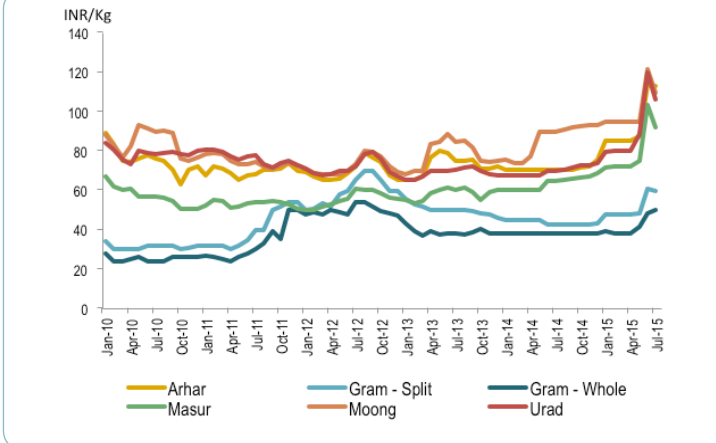
Source: World Food Programme, 2015.

Cambodia



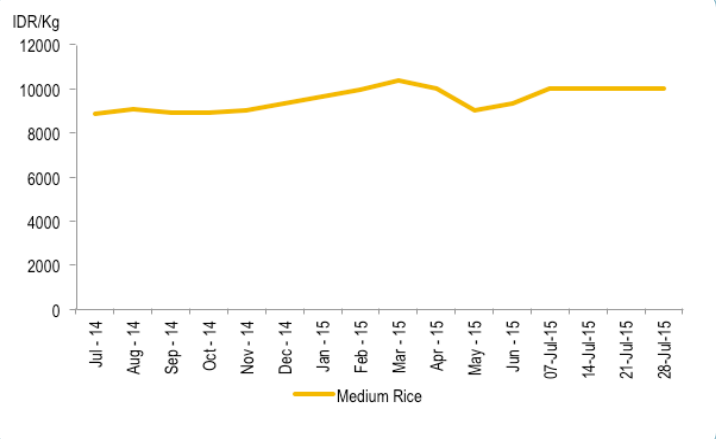
Source: Ministry of Agriculture, Forestry, and Fisheries, 2015.

India



Source: Ministry of Agriculture, 2015.

Indonesia



Source: Ministry of Trade, 2015.

production the Government has added Eastern States to its “Bringing the Green Revolution in India” programme for 2015-16. In addition, Minimum Support Prices (MSP) for arhar, green gram and black lentils received a bonus of INR 200 (US 3.15) per quintal (100 kg) that will come into effect on 1 October 2015. According to a media report, farmers have sown pulses on the back of higher prices.

In **Indonesia** (national average), monthly prices for rice and wheat (not shown in figure) increased by 7.2 percent and 1.1 percent, respectively. Compared to one year ago, however, rice prices were 13.1 percent higher. Recent price increases for rice may be partially attributed to dry weather associated with the El Niño phenomenon, as the National Disaster Management Agency said that 16 out of 34 provinces were affected by drought. Drought is affecting the secondary paddy crop that will end in September. The Government has responded by raising public purchasing prices for rice as well as purchasing quantities. In addition, the Government has also been improving irrigation systems, providing agricultural insurance, farming machinery and other types of assistance. No decision has yet been made on the issue of allowing rice imports. According to official estimates, 2015 paddy production stands at 75.6 million tonnes, 7 percent above last year’s output.

Prices for chilli, an essential ingredient in Indonesian cooking, were stable last month, but compared to one year ago curly red chilli prices were up 89.9 percent and red chilli prices have risen by 66.8 percent. Prices for green beans, a popular legume, were up 2 percent in July compared to June, and 9.9 percent from last year.

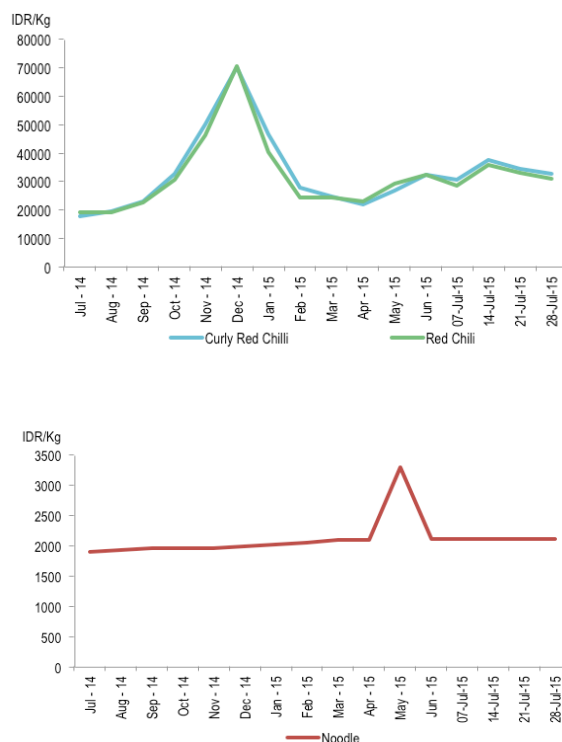
Prices for other food products have also increased since one year ago, with noodles up 11.4 percent and peanuts rising 37.6 percent (not shown in figure). Indonesians are the second biggest consumers of noodles among Asians. Some media reports mention they are switching from eating rice three times a day to having noodles for breakfast.

In **Myanmar** (Yangon markets), prices for rice declined by 4.8 percent during July, but were 7.9 percent higher than a year ago. The Government reports that floods caused by Cyclone Komen on 30 July damaged 70 percent (398 600 hectares) of the total farmland inundated (570 000 hectares), disrupting the planting of the main (wet) rice crop that accounts for the bulk of annual production.¹

Maize prices have been trending upward with a 4.5 percent increase from the previous month and 20.3 percent increase from the previous year. Rising prices are a result of higher demand from China’s feed industry. That demand has also led to an increase in plantings. Soybean prices have been falling, with a 1 percent decline from the previous month, and 17.8 percent drop compared to one year ago.

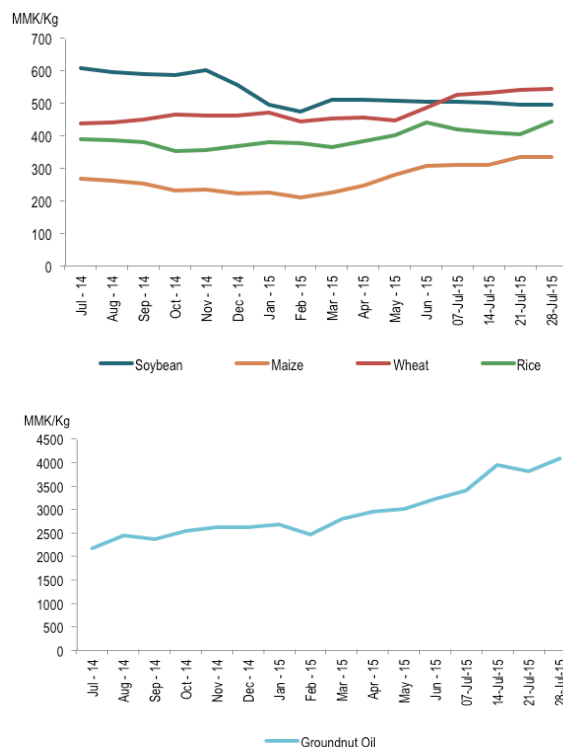
Wheat and groundnut oil prices continued to rise, with wheat prices 10.2 percent and 22.1 percent higher than one month and one year ago, respectively. Groundnut oil prices increased by 17.7 percent from the previous month, and were 75.9 percent higher than at the same time last year.

Indonesia



Source: Ministry of Trade, 2015.

Myanmar



Source: e-Trade Myanmar, 2015.

¹ For detailed information, please go to “Other Updates” section.

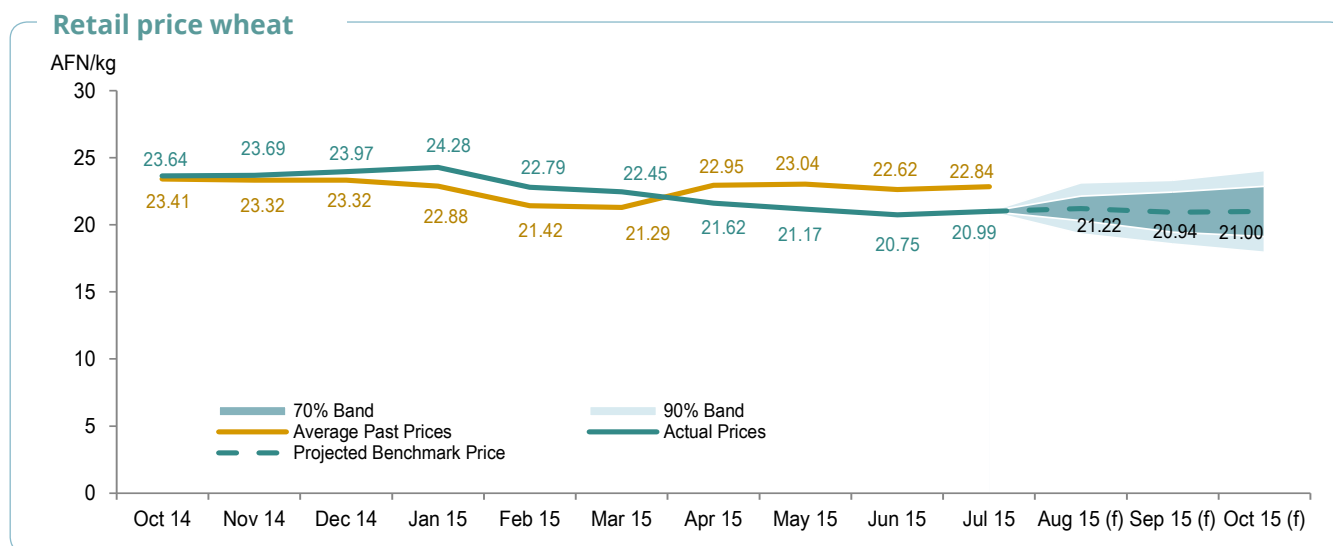
Note: Month-on-month changes are calculated as the price average of the current publication month from the price average of the previous month. Year-on-year changes are likewise reported as the price average of the current publication month from the price average of the same month in the previous year.

PRICE FORECAST

Afghanistan (retail wheat)

Retail prices for wheat in Afghanistan were AFN 21 (US\$ 0.35) per kg in July and were 1.2 percent higher from June but 10.1 percent lower than July 2014. Prices have not been in line with the trend in average past prices as they were down 13.6 percent from January 2014 to July 2015 compared to an average decline of 0.2 percent experienced over the past 7 years during the same period of time. The benchmark future price for August is forecast at AFN 21.2 (US\$ 0.35) per kg

within a 70% benchmark band of AFN 20.3 -22.1 (US\$ 0.33 – 0.35) per kg representing an increase of 1.1 percent from the price forecast in July 2015 but a 12.8 percent decline from the price in August 2014. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to remain unchanged within a benchmark band of AFN 20.3 – 22.9 (US\$ 0.33 – 0.38) per kg.

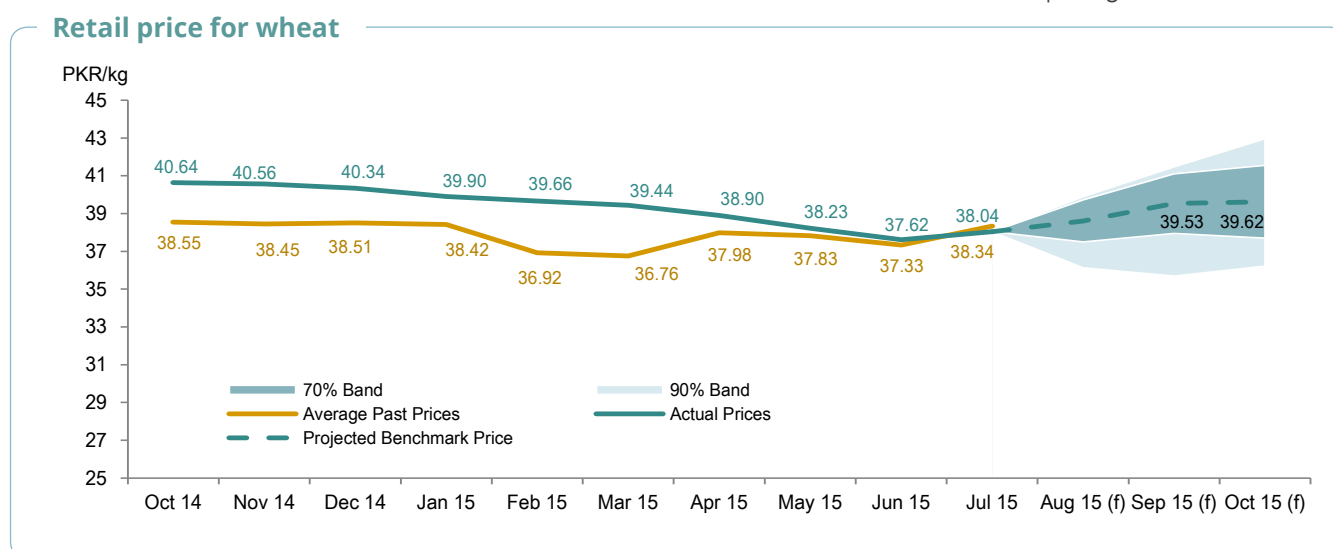


Source: FAO GIEWS and FAO RAP calculations.

Pakistan (retail wheat)

Retail prices for wheat in Pakistan were PKR 38 (US\$ 0.37) per kg in July and increased by 1.1 percent from June but were 4.3 percent lower than July 2014. Prices have been in line with the trend in average past prices and were down 0.5 percent from January 2014 to July 2015 compared to a 0 percent change experienced over the past 7 years during the same period of time. The benchmark future price for

July is forecast at PKR 38.6 (US\$ 0.38) per kg (within a 70% benchmark band of PKR 37.5 -39.7 (US\$ 0.37 – 0.39) per kg an increase of 1.5 percent from the price forecast in July 2015 but a 6 percent decline from the price in August 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 PKR 37.5 – 41.6 (US\$ 0.37 – 0.41) per kg.



Source: FAO GIEWS and FAO RAP calculations. Note: Average prices for markets in Karachi, Lahore, Multan, Peshawar and Quetta.

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

In **Cambodia** in July, the Centre for Study and Development in Agriculture launched the Cambodian Agriculture Cooperative Insurance Company, a financial institution to support a micro insurance scheme that helps rice farmers better respond to unpredictable weather resulting from climate change. Farmers pay an annual premium of KHR 40 830 (US\$ 10) per hectare, which makes them eligible to receive payments for crop damage resulting from floods and droughts, and allows them to access to consultations on farming techniques and climate change resilience methods.

The Department of Agriculture in **the Philippines** will encourage cacao-producing provinces in Mindanao to produce up to 100 000 tonnes of cacao by 2020. To attain the target, it will provide training, postharvest assistance, and research and development in collaboration with Mindanao's Development Authority.

In response to the drought, the Government of **Thailand** increased its target for rice-growing areas covered by insurance by 500 000 rai (80 000 hectares) to 2 million rai (320 000 hectares) for the 2015 harvest year to help disaster-affected farmers.

Trade and market related policies

China will start buying 1 million tonnes of rice from **Thailand**, in September. The purchase is a part of a 2-million-tonne government-to-government agreement signed in 2014 that includes two types of rice, 5 percent broken rice and jasmine rice.

In August, **China** ratified the **Australian** feeder and slaughter cattle import health protocol that permits Australian live cattle exporters to access China's markets for the first time. Under the China-Australia Free Trade Agreement signed in June, China will eliminate a 10 percent tariff on cattle within four years. Australia currently exports 1.2 million head of slaughter cattle to countries such as Indonesia, Malaysia, Egypt, Cambodia and Thailand.

The Government of **India** will impose a 10 percent import duty on wheat until 31 March 2016. The intention of this measure is to help offload stocks of low quality domestic wheat.

India has lifted its restriction on exports of rice bran oil. The Government had capped exports at 10 000 tonnes per year, but rising demand from countries such as Thailand and Japan led the Cabinet Committee on Economic Affairs to approve the removal of the cap on the exports of organic edible rice bran oil, and to allow exports in bulk. India produces nearly 1 million tonnes of rice bran oil per year.

The Ministry of Finance in **Indonesia** amended tariffs on several imported products, particularly value-added goods such as coffee, tea, processed meat and fish, sugar and confectionary products, pasta, bread, wine and liqueurs,

preserved vegetable/fruits/nuts, and others. The new tariffs for coffee and tea are 20 percent (previously 5 percent), and tariffs for processed meat and fish products are 30 percent and 15 percent (previously 20 percent for most fish products), respectively. Tariff rates for sugar confectioneries and chocolate products range from 15 percent to 20 percent, and those for pasta, bread and pastry products will be 20 percent.

The Government of **Indonesia** launched a new programme that imposes a tariff on oil palm exports. The funds will be used for biofuel subsidies. The subsidies will make up the difference between the conventional diesel price and the market index price of biodiesel. A levy of US\$ 50 per tonne will be imposed for crude palm oil and US\$ 20 to US\$ 30 per tonne for processed palm oil products. The Government recently revised the price index formula for biodiesel and instead of using the Mean of Platts Singapore as a reference price, it will now adopt a new formula that covers biodiesel production costs and a 3 percent margin.

Indonesia, which imports maize mainly from Brazil and Argentina, stopped issuing import permits for maize used in feed mills in July in an effort to support domestic farmers and to push for self-sufficiency. From 2016, the Government plans to only allow the state procurement agency BULOG to import maize.

In an effort to lower consumer prices, **Nepal** suspended a national tax and halved the import duty on selected foodstuffs, including raw pulses, oil seeds, palm oil and raw cereals. Effective 16 July, the custom duty on palm oil – the vegetable oil that dominates imports and domestic consumption – was cut from 5 percent to 2.5 percent.

In July, the Government of **Sri Lanka** announced the procurement of 120 000 tonnes of paddy directly from farmers during the upcoming secondary crop season harvest and allocated LKR 6 billion (US\$ 44.8 million) to buy keeri samba and samba rice varieties at LKR 50 (US\$ 0.37) per kg and the nadu white variety at LKR 45 (US\$ 0.34) per kg.

After a seven-month suspension, **Viet Nam** will resume importing oranges, mandarin oranges, and table grapes from **Australia**. Viet Nam suspended imports of 38 varieties of fresh fruits in January to prevent the spread of a fruit fly outbreak in Australia. Viet Nam is continuing its suspension of another 35 varieties of fruits from Australia.

Consumer oriented policies

To reduce the risk of heart diseases, **India's** Food Safety and Standards Authority released a draft regulation to update labelling requirements pertaining to the declaration of trans-fats content in packaged food products.

Sources: Policy developments for the Asia-Pacific region are collected by FAO from official and non-official websites. For Australia, the Australian Government and the US Department of Agriculture; for Cambodia, the Phnom Penh Post; for India, FAO, the Food Safety and Standards Authority of India, the Economic Times, Knowledge & News Network, Oryza and Reuters; for Indonesia, FAO, the US Department of Agriculture, Deal Street Asia, Indonesia Investment, Indonesia News Stand and Reuters; for Nepal, FAO and Ekantipur; for the Philippines, the Department of Agriculture; for Sri Lanka, the Official Government News Portal and Oryza; for Thailand, Public Relations Department of Thailand, Bangkok Post, Nation, Oryza and the Diplomat; for Vietnam, Ministry of Agriculture and Rural Development of Vietnam, the Australian Government and Thanhnien News.

OTHER UPDATES

Flood situation in Myanmar

Intense rains and flooding caused by Cyclone Komen on 30 July have affected over 1.6 million people in 12 states and regions in Myanmar, according to its Government, which has declared a natural disaster emergency situation in several areas. Hardest hit were Ayeyarwaddy in the delta region (where nearly 60 percent of rain-fed rice is cultivated), western Rakhine State, where large numbers of people had already been displaced, and central Sagaing Division near Mandalay. The floods have negatively impacted food security for large numbers of people in several regions of the country, the Global Information and Early Warning System (GIEWS) reported.

The Government said that as of 21 August, 451 000 people were estimated to be in need of food assistance in the Ayeyarwaddy, Bago, Chin, Kachin, Kayin, Magway, Mon, Rakhine, and Sagaing regions. According to the Government, from June to August, there were 1.4 million acres (570 000 hectares) of inundated farmland, over 667 221 acres (270 000 hectares) of planted crops were destroyed, and nearly 985 073 acres (398 600 hectares) of farmland have been damaged. Roads and bridges, as well as dams, have also been damaged, amplifying difficulties with distribution of food and relief supplies. The Government has committed MMK 62.8 million (US\$ 53.9 million) to the flood response.

The floods occurred as the main wet season rice crop was at the “vegetative to early reproductive growth stage,” according to GIEWS, which also said that FAO may need to reduce its forecast of 29.2 million tonnes for aggregate paddy production in the 2015/16 season. Reuters reported that farmers were scrambling to replant following the floods, but were in need of seeds. Prior to Cyclone Komen, prices for Emata rice, the most commonly consumed variety, had been declining in July, but were still higher than one year ago because of strong demand from China and the falling value of the Myanmar currency.

More accurate information for policy makers

Governments in South and Southeast Asia will soon have access to more timely and accurate information on rice-growing areas with new technology. Scientists at the Remote Sensing Technology Centre of Japan (RESTEC) said the new data could help inform policymaking on agriculture, food security and climate change. The new technology can help generate improved forecasts on crop production and therefore provide information to adjust policy decisions that can help reduce food price volatility and farmers’ vulnerability.

The new technology, known as Synthetic Aperture Radar (SAR), allows researchers to carry out surveys regardless of the time of day or weather conditions. The surface area of planted rice fields can be estimated from the data gathered. RESTEC is also conducting research into estimating yields and applying this technology to other crops such as corn and sugarcane.

To demonstrate the new technology, SARMAP, a Swiss company that generates information from the satellite, and the International Rice Research Institute have been assembling cloud-free mosaics covering 7 million hectares in South and Southeast Asia that accurately monitor agricultural activity and the state of natural resources.

They are also working with partners on two SAR projects: The Remote Sensing-based Information and Insurance for Crops in Emerging economies, which monitors 13 test sites in Cambodia, India, Indonesia, the Philippines, Thailand, and Vietnam; and the Philippine Rice Information System, funded by the Philippines Department of Agriculture.

Sources: For Myanmar story, FAO GIEWS and FAO Country Office, Situation Updates 2 and 3 from the Government of Myanmar, OCHA and Reuters . For the second story, the International Rice Research Institute (IRRI), Remote sensing-based Information and Insurance for Crops in Emerging Economies (RIICE), and Remote Sensing Technology Centre of Japan.

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