



HIGHLIGHTS

- General inflation in the region continued to weaken in September rising by an estimated 2.4 percent compared to one year ago.
- In Indonesia, chicken prices have been trending downwards due to local over supply despite a recent increase in demand for poultry.
- Thailand approved over THB 11.5 billion (US\$ 323 million) to finance drought mitigation measures.
- A record global high in wheat production has contributed to the steepest falls in wheat futures prices in 29 years.
- Scientists in Asia have made publicly available the genomes of over 3 000 varieties of rice from 89 countries in hopes of creating more sustainable and resilient breeds.

REGIONAL OVERVIEW

FOOD AND GENERAL INFLATION

General inflation in the region was 2.2 percent, and food price inflation was 2.4 percent in September compared to one year ago. Inflation in the region continued to decline on lower prices for oil and associated transport costs.

In September, general inflation in Bangladesh rose by 1.1 percent, and food prices by 1.8 percent. In China, consumer prices registered a 0.5 percent increase and food prices rose 1.6 percent.

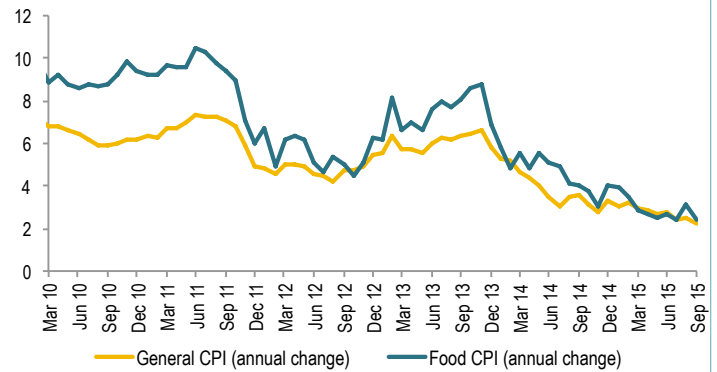
In India¹, price indices showed general inflation rose 4.4 percent, and food prices increased 3.8 percent on more expensive pulses, but cheaper vegetables and fruits.

In Indonesia, general inflation was down 0.1 percent, and food prices declined 1.1 percent on falling prices for chicken meat and red chillies. In Pakistan, general and food inflation were down 0.1 percent and 0.4 percent, respectively, as prices for chicken and tomatoes fell. In the Philippines, general and food price inflation both dropped by 0.2 percent.

Samoa's general inflation eased by 1.1 percent, and food prices declined 3 percent, driven by lower prices for ta'amu, fresh fish, breadfruit and tomatoes. Sri Lanka's general inflation was down 0.3 percent and food inflation dropped 0.6 percent on lower prices for vegetables and green chillies.

In Thailand, general inflation remained unchanged and food price inflation was down 0.1 percent. Viet Nam's general inflation slid by 0.2 percent, but food prices were up 0.1 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.

¹These figures are reported by the Ministry of Statistics and Programme Implementation. Regional price indices use the agricultural laborers series from the Labour Bureau as our source for the CPI figures in India.

FOOD PRICES

The FAO Food Price Index rose one point after its sharp decline in August, averaging 153.6 points in September, but still 18.9 percent lower than a year ago. The increase was driven by higher sugar and dairy prices.

Maize prices were up 1.7 percent on low production in the United States, and were 4.7 percent higher than one year ago. After reaching a five-year low last month, wheat prices increased by 1.2 percent in September, but were down 21.6 percent year on year. Thai rice prices (white 100% grade B) declined 3 percent, and were 17.2 percent lower than a year ago.

The **regional rice price index** was down by 0.1 percent in nominal terms in September, and was 1.7 percent lower than one year ago. The real price of rice was 0.2 percent lower than last month, and 4.2 percent lower than one year ago. On a monthly basis, the nominal price of rice declined in India by 1.1 percent followed by a 0.6 percent drop in South Asia. In East Asia, nominal rice prices remained unchanged, but in Southeast Asia the nominal price of rice increased by 1.3 percent.

Year-on-year nominal prices fell 9.6 percent in South Asia and 8.7 percent in India, but rose by 6.1 percent and 3 percent in Southeast Asia and East Asia, respectively. Real prices dropped in South Asia by 14.7 percent and India by 11 percent. In Southeast Asia, real prices remained unchanged, but in East Asia the real price of rice increased by 0.5 percent from one year ago.

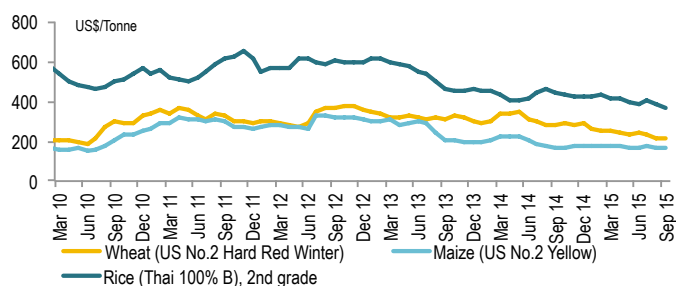
The **regional wheat price index** was 0.3 percent higher than August in nominal terms, and was 1.2 percent higher than a year ago. Month on month, nominal prices increased 0.9 percent in South Asia, and 0.4 percent in India, but remained unchanged in Southeast Asia and East Asia. Year on year, nominal prices were up 4.4 percent in East Asia, 1.2 percent in India and followed by a 0.9 percent increase in Southeast Asia. Conversely, nominal wheat prices in South Asia dropped by 6.3 percent.

Real wheat prices in the region increased by 0.1 percent during September, but were 1.9 percent lower than one year ago. Compared to one month ago, prices were up 0.7 percent in South Asia and 0.1 percent in India, but fell 0.1 percent in East Asia. Prices in Southeast Asia remained unchanged. Year-on-year real prices dropped across the board, led by a decline of 10.3 percent in Southeast Asia and a 5.2 percent drop in South Asia. Decreases of 1.5 percent and 0.8 percent followed in India and East Asia, respectively.

Note: The regional price indices are aggregated using weights defined by the national Food Balance Sheet (FAOSTAT). Weights are defined as the availability of rice and wheat for domestic consumption for each respective index. Sub-regional groupings in the rice index are Cambodia, Indonesia, Lao PDR, Myanmar, the Philippines, Thailand and Viet Nam for Southeast Asia; Bangladesh, Nepal, Pakistan, and Sri Lanka for South Asia; China and Mongolia for East Asia. Prices for India represent an average of 4 markets in Chennai, Delhi, Mumbai and Patna.

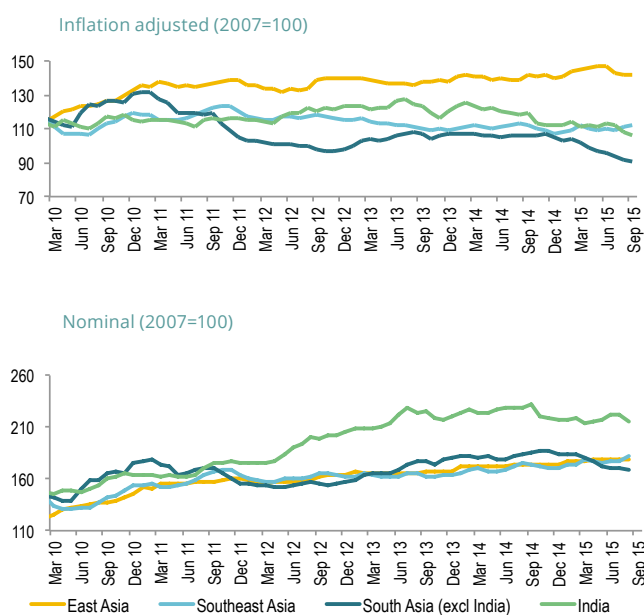
For the wheat index, South Asia also includes Afghanistan whereas Southeast Asia includes only Indonesia. East Asia is also only represented by China. Retail prices are used where available - with the exception of wholesale prices for Cambodia and Thailand in the rice index; as well as India and Indonesia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

Global benchmark prices

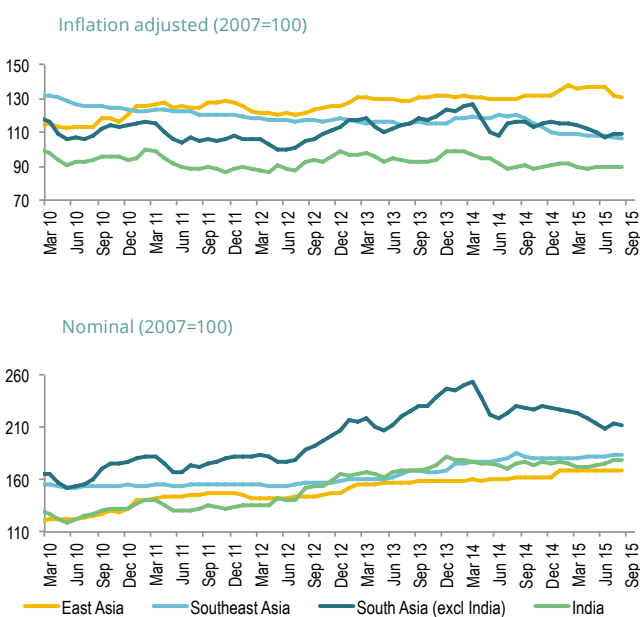


Source: FAO, International commodity prices

Subregional price indices: rice



Subregional price indices: wheat



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

COUNTRY OVERVIEW

FOOD PRICES

In **China** (average 50 markets), retail prices for both pork rump and belly stabilized in September following consecutive increases every month from May to August. Compared to the same month last year, prices for pork rump and belly have increased 17.6 percent and 19.6 percent, respectively. The increases in pork prices have been influenced in part by a drop in sow inventories as a result of diminished price margins in the local market, and higher consumer demand for the staple commodity. In recent months, the Government has taken measures to mitigate higher prices by releasing a reserve of approximately 1.2 million hogs equivalent from cold storage, as well as promoting imports from both the United States and the European Union to prepare for an expected rise in demand during Chinese holidays.

In **Indonesia** (national average), the price of medium rice rose 10.2 percent in September, while prices for wheat flour (not shown in graph) registered just a 0.2 percent monthly increase. Rising rice prices were attributed to dry weather in rice-producing areas. In response, the Government's Bureau of Logistics, or BULOG, which is responsible for food distribution and price control, increased rice distribution by three times the normal amount to stabilize prices. BULOG will distribute a total of 1 624 tonnes of rice in October.

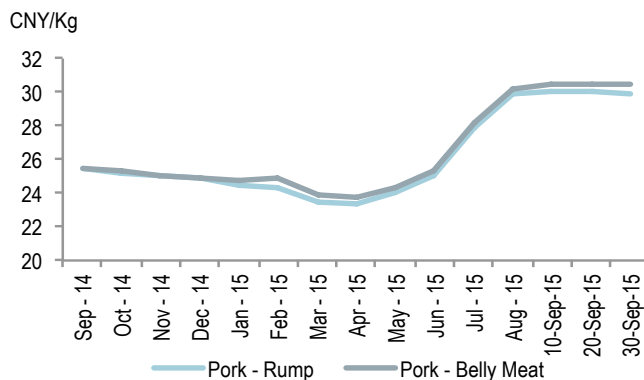
Prices for chicken declined 10.2 percent over the past month. To support its goal of achieving national self-sufficiency in food production, the Government has been cutting down on food imports over the past year. Recently, the reduction of live cattle imports has encouraged some consumers to substitute poultry for beef. Despite the resulting increase in demand for poultry, local farms had an over supply of chickens, which has put downward pressure on chicken prices over the past month. Additionally, in August the Government stopped issuing import permits for corn used to feed chickens. This measure aims to consolidate public procurement mechanisms to import corn in 2016.

Prices for red chilli were 53.4 percent below the prices in December 2014, but remain 45.3 percent above the prices of one year ago. Red chilli is a staple ingredient for Indonesian cuisine, and high prices reflect lower production because of dry weather. Media reports claim, however, that lack of investment in agricultural infrastructure has made transportation inefficient leading to 40 percent of the output being lost to spoilage. In addition, farmers sell their produce without knowing the market price. These factors have led to price volatility during the past year.

In **Myanmar** (Yangon prices) prices for rice and wheat continued rising with wheat up 2.4 percent and rice up 4.3 percent from the previous month. The price of rice normally increases around 5 percent this time of year because recently harvested rice has not entered the market. Price rises have been close to seasonal norms, despite local speculation that the lingering effects of Cyclone Komen had been pushing them higher than usual.

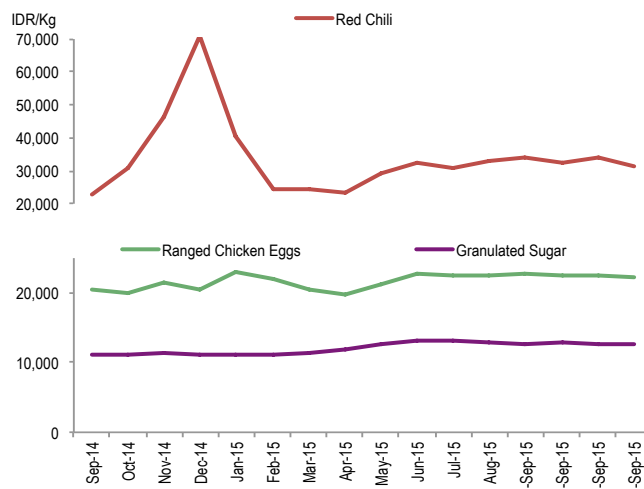
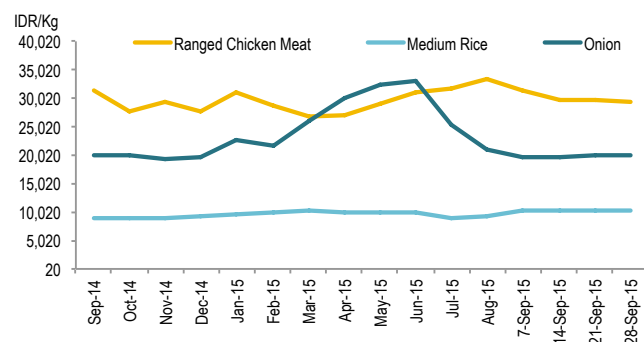
Wheat was 24.7 percent and rice 34.6 percent higher than at the same time last year. Prices for sugar were 7.7 percent and 39.9 percent higher than a month and a year ago, respectively. Maize and groundnut oil prices fell 13.2 percent and 10 percent, respectively, from the previous month, but

China



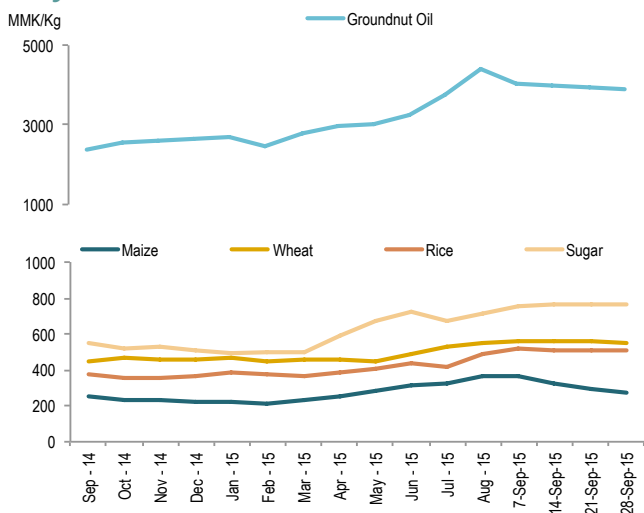
Source: National Bureau of Statistics, 2015.

Indonesia



Source: Ministry of Trade, 2015.

Myanmar



Source: e-Trade Myanmar, 2015.

were 22.9 percent and 66.9 percent higher, respectively, than a year ago.

In the **Philippines** (national average), rice prices (not shown in graph) remained unchanged from last month and last year.

Prices for vegetable continue to fluctuate. In August, vegetable prices increased because of Typhoon Ineng, but fell in September by 1.9 percent as supplies to local markets improved. September's prices for green beans, beans and bitter gourd dropped by 35 percent, 20.5 percent and 15.9 percent, respectively, followed by tomatoes, down 13.3 percent. Prices for carrots, cabbages and onions were 63.3 percent, 57.6 percent and 26.7 percent higher, respectively, than a year ago.

Prices for fruits increased by an average of 1.4 percent, with papaya prices up by 22.2 percent and mango prices up by 21.9 percent. Lime and tomato prices dropped 32.3 percent and 13.3 percent, respectively.

Over the next month, food prices are expected to rise as result of Typhoon Lando, which caused an estimated PHP 6.57 billion (US\$ 140.5 million) in damage to crops and infrastructure. Damage to the rice crop alone was estimated at PHP 5.7 billion (US\$ 121.9 million) with 383 668 metric tonnes lost, according to the Department of Agriculture.

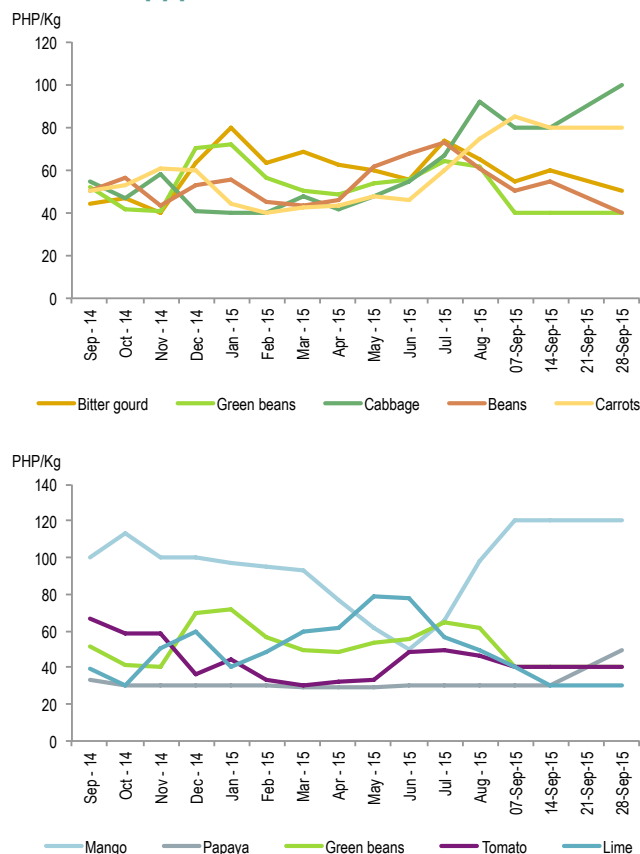
The Philippines faces an average of 20 typhoons per year, adversely affecting farmers' livelihoods and leading to price volatility for commodities such as rice, corn, fruits and vegetables. Risk management instruments, such as crop insurance, can help farmers recover quickly and reduce losses. The Government has increased the 2016 budget for the Philippine Crop Insurance Cooperation to PHP 1.6 billion (US\$ 34.4 million) to expand coverage and numbers of beneficiaries. Access to credit has been improved with the recent allocation of PHP 1.3 million (US\$ 278 000) to the Cooperative Banks Agri-Lending Programme II that provides funds to 13 cooperatives targeting smallholder farmers. The government has also taken measures to improve marketing infrastructure, investing in public markets and trading posts, especially in small rural areas, such as Quezon.

In **Sri Lanka** (Colombo markets), prices for rice and wheat flour (not shown in graph) were stable compared to the previous month. Year on year, prices for these commodities continued to trend downwards with declines of 16.9 percent and 11.7 percent for rice and wheat flour, respectively.

Vegetable prices declined on improved supply after incessant rains ended. Prices for beetroots, carrots, cabbages and tomatoes were down 17.7 percent, 16.6 percent, 14.1 percent and 13.9 percent, respectively. Yet, prices for tomatoes and carrots were 25.7 percent and 19.9 percent higher, respectively, than one year ago.

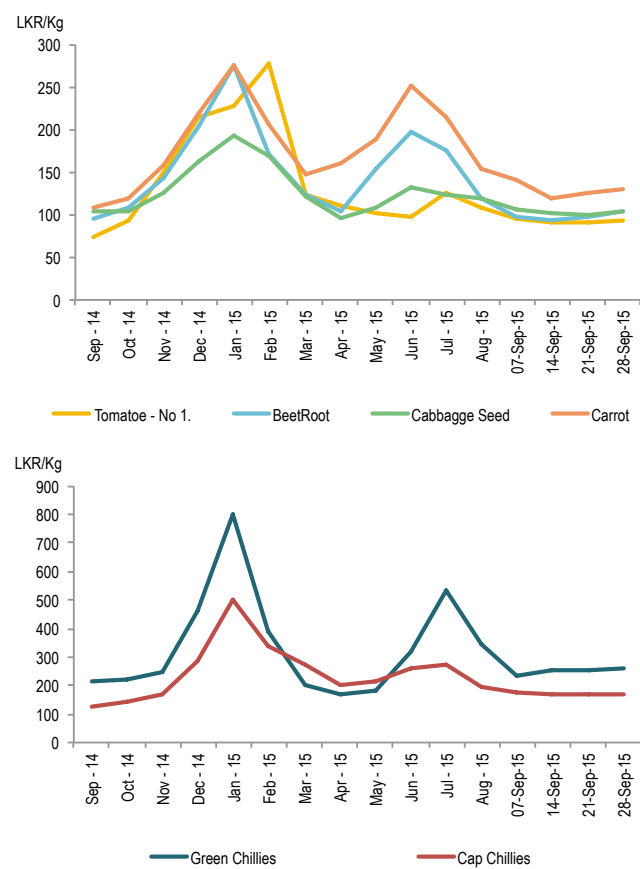
Prices for green chillies and red chillies dropped 27.7 percent and 13.6 percent, respectively, but were 15.6 percent and 35.8 percent higher, respectively, than a year ago. Over 80 percent of chillies in Sri Lanka are imported. To improve domestic availability of chillies and other vegetables, the Government launched the National Programme for Local Food Production. It allocates state land to boost domestic food production. In addition, the Government continues to encourage home gardening of fruits and vegetables to mitigate price volatility.

The Philippines



Source: Philippines Statistics Authority, 2015.

Sri Lanka



Source: Department of Census and Statistics, 2015.

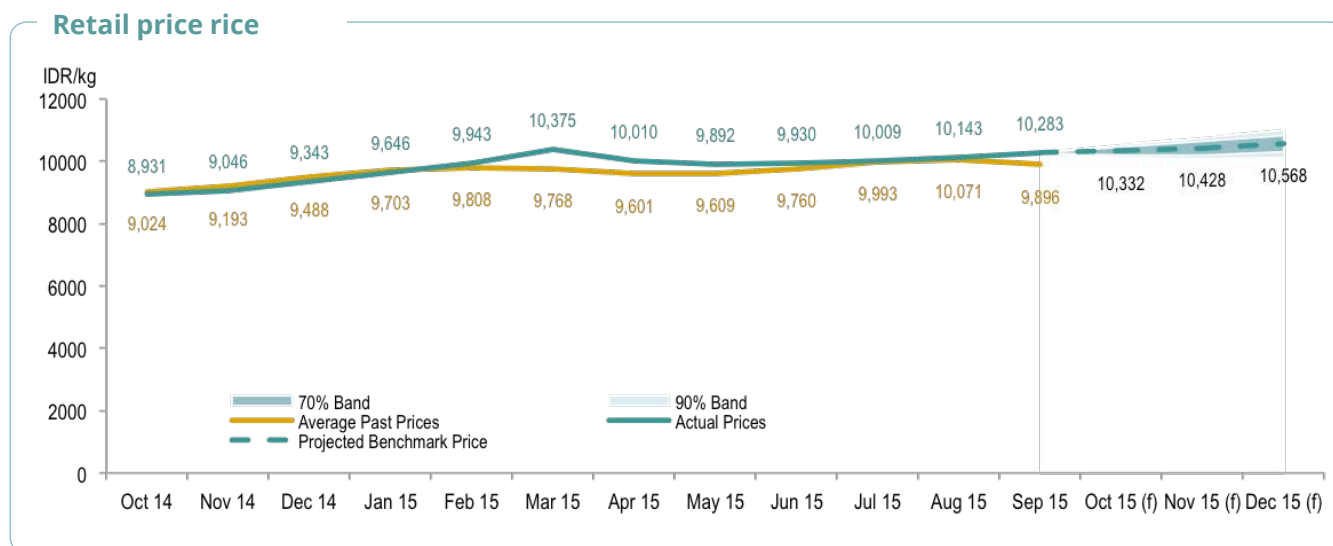
Note: Month-on-month changes are calculated as the price average of the current publication month from the price average of the previous month. Year-on-year changes are likewise reported as the price average of the current publication month from the price average of the same month in the previous year.

PRICE FORECAST

Indonesia (retail rice)

Retail prices for rice in Indonesia were IDR 10 282.5 (US\$ 0.71) per kg in September and were up by 1.4 percent from August but were 15.3 percent higher than a year ago. Prices have been in line with the trend in average past prices as they were down 0.9 percent from March to September 2015 compared to an average increase of 1.3 percent experienced over the past 7 years during the same period of time. The benchmark future price for October is forecast at IDR 10 332

(US\$ 0.72) per kg within a 70% benchmark band of IDR 10 215 – 10 449 (US\$ 0.71 – 0.73) per kg representing a 0.5 percent increase from the forecast price in September 2015 and a 14.5 percent rise from the price in October 2014. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to increase slightly within a benchmark band of IDR 10 215 – 10 840 (US\$ 0.71 – 0.75) per kg.

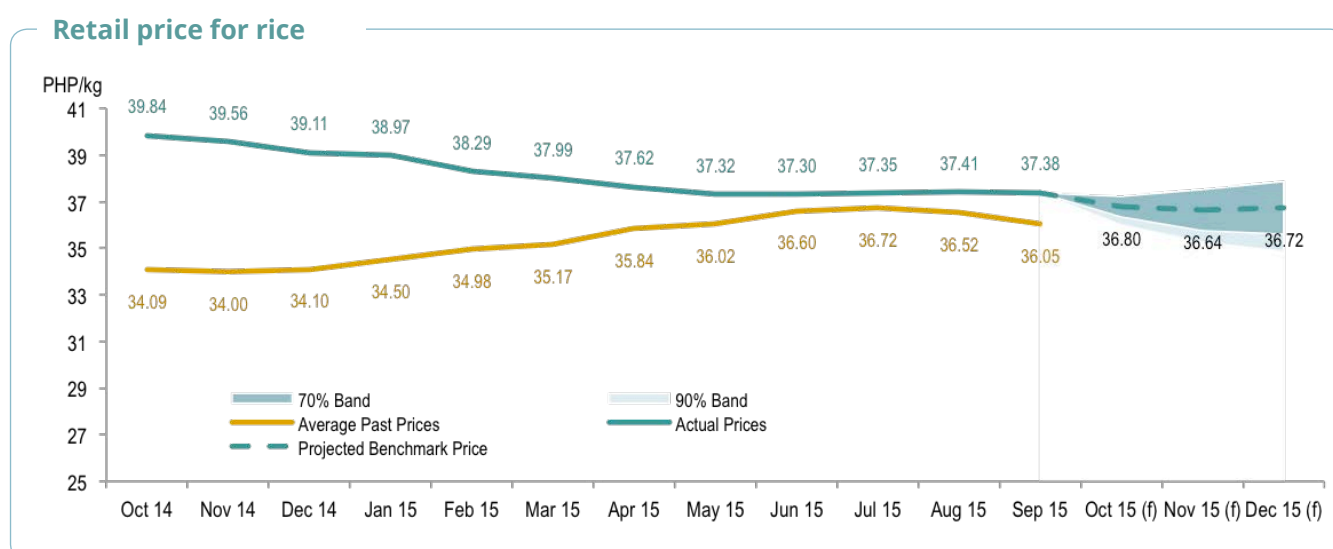


Source: FAO GIEWS and FAO RAP calculations.

The Philippines (retail rice)

Retail prices for rice in the Philippines were PHP 37.38 (US\$ 0.80) per kg in September and were 0.1 percent down from August and were 7.4 percent lower than a year ago. Prices have not been in line with the trend in average past prices as they were down 6.4 percent from October 2014 to June 2015 compared to an average increase of 7.4 percent experienced over the past 7 years during the same period of time. The benchmark future price for October is forecast at

PHP 36.80 (US\$ 0.79) per kg within a 70% benchmark band of PHP 36.35 – 37.24 (US\$ 0.78 – 0.80) per kg representing a 1.6 percent drop from the price forecast in September 2015 and a 7.6 percent decline from the price in October 2014. If prices follow normal seasonal patterns during the next three months, the model forecasts that retail prices for rice are likely to decline within a benchmark band of PHP 36.35 – 37.84 (US\$ 0.78 – 0.81) per kg.



Source: FAO GIEWS and FAO RAP 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

Indonesia and **Malaysia** have agreed to establish the Council of Palm Oil Producing Countries (CPOPC) to ensure price stability and to develop the downstream industry of the commodity. The two countries jointly account for 85 percent of the global palm oil market. Both also agreed to harmonize the standards of the Indonesian Sustainable Palm Oil and Malaysian Sustainable Palm Oil foundations. CPOPC will promote environmentally sustainable practices in the palm oil industry and improve cooperation in research and development to unlock potential across the value chain. Other palm oil producing countries will be invited to join CPOPC.

On 24 September, the Ministry of Primary Industries of **New Zealand** announced its National Policy Direction for Pest Management to deal with domestic and regional pest management challenges. This policy defines all-encompassing requirements for national and regional pest management plans, and small-scale management programmes. The policy requires farmers to manage pests spreading over boundaries onto neighbouring farms. The Ministry estimated that pests cost New Zealand's farming sector up to NZD 3.3 billion (US\$ 2.2 billion) annually.

The **Philippines** amended its Fisheries Code Implementing Rules and Regulations (IRR) to tackle illegal, unreported and unregulated (IUU) fishing. The IRR, effective fully in October, elaborates procedures on how to impose penalties on offenders who commit IUU fishing. It also includes the application of vessel monitoring measures to track and monitor the activities of fishing vessels and the use of fishing gear.

The Government of **Thailand** approved over THB 11.5 billion (US\$ 323 million) to finance drought mitigation measures. The action plan, initiated with the collaboration of various ministries, will be implemented from November until April next year. Under the plan, farmers are encouraged to grow alternative crops and raise livestock and fish. Farmers' debt repayments will be extended. The Government will create alternative job opportunities for villagers who stop planting rice. The plan also includes artificial rain making activities and measures to encourage people to save water.

The Ministry of Agriculture and Rural Development of **Viet Nam** amended regulations on animal feed management. Among the changes, it clarifies the permission process of animal feed for sale and circulation within the country. It also sets a five-year validation period to register animal feed products as long as they are re-registered six months before the expiration date. Animal and aquaculture feed advertisements must get approval from relevant authorities before public release.

Trade and market related policies

On 24 September, the Government of **Australia** announced it will allocate AUD 5.3 million (US\$ 3.9 million) to promote export access for small agribusinesses in a variety of commodities, including efforts to create mobile apps that

improve market information, innovative packaging to reduce perishability of vegetables in markets, and other measures.

The Ministry of Agriculture, Forestry and Fisheries of **Cambodia** plans to set up five food safety inspection offices near the country's border for smoother flow of cross-border agricultural trade. The new offices will inspect shipments of agricultural products, both exporting and importing, to make sure they comply with Sanitary and Phytosanitary (SPS) protocols and issue certificates, which are required by foreign SPS authorities. Currently, agricultural exporters must bring their products to the Agriculture Ministry in Phnom Penh to get SPS certificates.

China lowered the floor price for maize grown in northeastern provinces to CNY 2 000 (US\$ 313) per tonne, around 10 percent below the current price. The lower floor price is for the procurement period of 1 November 2015 to 30 April 2016.

China released a joint action plan on 25 September to promote e-commerce development for the farming and agriculture sector in collaboration with the Ministries of Agriculture and Commerce and the National Development Reform Commission. The Chinese Government will focus on the establishment of sound policies for e-commerce and infrastructure to develop a batch of influential agricultural e-commerce brands within the next three years.

The Government of **India** extended the regulation of trade in essential commodities including pulses, edible oils and oilseeds under the Essential Commodities Act for one year. Prices for pulses had been gradually increasing during the past year on a sharp decline in production. This extension is effective from 1 October to 30 September 2016. The measure intends to increase the availability of essential commodities and stabilize prices by banning export and imposing zero duty on import of pulses. In this context, India's trading partners have placed orders for 5 000 tonnes of black lentils and 5 000 tonnes of pigeon pea.

In **India**, the Ministry of Agriculture revised the Biosecurity Guidelines for poultry organisations and farms to prevent disease outbreaks. These guidelines are up-to-date biosecurity practices including farm location and design, access restrictions for birds, and record keeping for cleaning and sanitization activities. In addition, other new guidelines have been incorporated for feeding practices, such as the Good Manufacturing Practices (GMP) and the Hazard Analysis Critical Control Point (HACCP).

To stabilize rice prices, the **Republic of Korea** will procure 200 000 tonnes in addition to the quantity announced in September, for a total of 590 000 tonnes of domestic rice to counteract a 7.5 percent price drop caused by improved supply from a bumper crop. The Government will also provide low-interest rate loans to private millers to facilitate rice procurement by setting up a fund of KRW 200 billion (US\$ 176.4 million).

Sources: Policy developments for the Asia-Pacific region are collected by FAO from official and non-official websites. For Australia, the Australian Government; for Cambodia, the Phnompen Post; for China, FAO and the Ministry of Agriculture; for India, Press Information Bureau; for Indonesia and Malaysia, Bernama; for New Zealand, Ministry for Primary Industries; for the Philippines, the Government of Philippines and the Department of Agriculture; for the Republic of Korea, the Ministry of Agriculture, Forestry and Rural Affairs; for the Republic of Korea, Ministry of Agriculture and Yonhap News Agency; for Thailand, Public Relations Department of Thailand and Bangkok Post; for Vietnam, United States Department of Agriculture.

OTHER UPDATES

Record global wheat glut driving prices down

A all-time high in wheat production in 2015 has sent prices plunging on world markets, with futures traders reporting the steepest price drops in 29 years and bracing for further losses. But prices rebounded slightly in late September, gaining an average of 3.1 percent, according to the International Grains Council, on concerns over dry weather in the Russian Federation and Australia. By the close of the crop season in 2016, world wheat inventories should be at their highest levels in 13 years, according to FAO.

FAO has forecast that global wheat production in 2015 will increase by about 2 million tonnes over last year to reach a record 735 million tonnes. Strong harvests in Australia, China, Morocco, Turkey, Ukraine and the United States are contributing to the global glut in wheat. With abundant production reducing demand for imports, FAO has forecast that the global wheat trade in the 2015/16 marketing year will fall by about 6 million tonnes to a total of 150 million tonnes, a decline of about 4 percent. Asia is the region recording the largest drop in wheat imports, buying 72 million tonnes, or 4 million tonnes less than last season. A strong US dollar has contributed to the decline in demand, but weak currencies in the Russian Federation and Ukraine have boosted their exports.

Longer-term prospects for wheat prices may be more promising, but for troubling reasons. Shifting, less predictable and chaotic weather patterns associated with climate change will mostly likely increase in coming years. Disruptions in production or falling output in traditional wheat-growing areas could result in higher prices as farmers attempt adaptation measures or production possibly transitions to new regions.

Rice DNA project aims to produce more sustainable, resilient breeds

With climate change and global population growth presenting daunting challenges to food production and security, scientists in Asia have identified, stored and made available the genetic codes of over 3,000 varieties of rice in hopes the information will lead to more sustainable, resilient and higher-yielding breeds of one the world's staple foods. The database compiled by the International Rice Research Institute (IRRI), the Chinese Academy of Agricultural Sciences, and BGI (formerly known as the Beijing Genomics Institute) has been hailed as a major advance in rice science.

Project Director Zhikang Li of the Chinese Academy said the database is a resource for poverty-stricken farmers in Asia and Africa. "We are aiming to reach at least 20 million rice farmers in 16 target countries," he said. "With decreasing water and land resources, food security is, and will be, the most challenging issue in these countries." The 3,000 rice genomes were taken from varieties in 89 countries.

The scientist hope that rice breeders will experiment with varieties that contain genes linked to valuable traits can create new rice varieties with improved yield, higher nutritional quality, better ability to grow in problem soils, and improved tolerance of pests, diseases, and stresses that will be inevitable with climate change. "This is an unparalleled development in plant science for a major food crop," said Ken McNally, a member of the project team.

FAO has scaled back its forecast for global rice production in 2015 by close to 8 million tonnes, mainly on account of Asian countries, where the season has been marred by erratic climatic conditions, attributed to the prevalence of an El Niño weather cycle since early 2015.

Sources: For wheat story, FAO, Feed the Future and International Grain Council; for the rice story, Consumer News and Business Channel and International Rice Research Institute.

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