

THURSDAY, DECEMBER 9, 2010

## Market News

### **Estimating the estimates**

Despite all the talk about droughts and floods, Cambodia rice production will rise. So reports the Phnom Penh Post (7 December 2010). Previous government estimates put the production at 7.3 million tonnes, while new estimates put production at 7.99 million tonnes.

Why not 8?

'Agriculture Minister Chan Sarun said yesterday the gain in production was due to good rice seeds, an increase in dry season farming, a greater amount of farmed land and better understanding of farming techniques'.

It does seem that in spite of all adversities, the price is still leading the way. That's how economics work.

Many might question the governments estimate, quite rightly. Being on the other side of making estimates in other countries I know they are just a wild guess, at best a hunch.

But intriguing to see that the FAO has re-jigged their estimates as well, from 5.9 to 7.3 million tonnes, nearly 25%! Clearly they must have better strategies at coming to the final numbers ...

### **Produce offspring**

Well, the same FAO will be stimulating private companies in Cambodia to produce rice seed, so reports the Phnom Penh Post (November 14, 2010).

'It is hoped the project, funded by the European Union, will help private firms to provide "pure" rice seed, rather than hybrid types'.

Really? Because the track record of private companies marketing open-pollinated rice seed production globally is sketchy as opposed to hybrid seed. At least the money is disposed of.

Then there is the government itself which has released 10 rice varieties (Phnom Penh Post, 27 September 2010)

### **Competition in sight**

Cambodia has seen a continuing momentum in trying to export it's own rice rather than handing it over to it's neighbours. CAAI reports on a push to penetrate the Philippine market, home of hybrid rice. Despite all Philippine's efforts in promoting rice production, rice production is dropping so it seems. Time to hand over the government subsidies to the

farmers themselves rather than the input providers?

Following on, CAM-SIT blog quotes *Cambodian Business Review* (August 2010) 'Rice from Vietnam and Cambodia now control up to 60 percent of the market'.

It gives a good overview of how Cambodia's rice exports seem to be eating into Thailand's export. Oddly it also includes this quote:

"The price is not only higher but the quality of the rice is also lower, in terms of fragrance, size of grains and general quality of the milling. Thus, as much as we want to buy Cambodian rice, our efforts are being hampered by unreasonable prices from Cambodian exporters, "the buyer said'.

So that raises the question why buy Cambodian price if both price and quality are adverse? Politics?

Indian investor Amira Group (actually Amira Food) believes Cambodia is the future of global rice production. Paying upwards of 30 million \$ for investing in rice processing and 25,000 ha seems a cheap price which the investor hastily agrees to.

'He noted that despite Cambodia's rice-heavy farming sector, he felt that it lacked structured growth – something Amira would like to provide leadership on'.

Which seems to contradict reality.

## Media

## contacts

In Thailand the government is hoping to join the competition in providing hybrid rice to farmers, according to the *Bangkok Post* (16 August 2010). The article lacks little substance to the claim of superiority of hybrids over conventional varieties.

"We have successfully developed three or four hybrid rice varieties but we need more time to improve the varieties, such as to add genes that have resistance against planthoppers, and/or climate change,"

Three or four?

'Thailand has done R&D for hybrid varieties for 30 years but public concern over the impact on rice quality, as well as the cost, have impeded the development, she [Orapin Watanesk, a rice R&D specialist with the department] explained.'

Oddly it also cites another government official who doesn't seem to be on the hybrid bandwagon:

'He [Sune Kasisareewong, director of the Rice Seed Bureau] said the improved seeds had strong properties, affordable prices, and more importantly, farmers can use the harvested production or paddy as strain for their next crop'.

As opposed to hybrid rice.

One of its biggest possible rivals would be CP which has high aims according to The Nation (22 November 2010). It also reports:

'For instance, the launch of CP's hybrid rice seed CP 304 has allowed farmers to enjoy an average yield of 1,000 kilograms per rai. Production costs are also reduced, and the seeds have a special feature " drought resistance'.

CP also claims:

'Hybrid seeds are more expensive than other popular types, which cost about Bt50 per kilogram and produce an average of 450-500 kilograms per rai. Farmers will be compensated for the higher price of hybrid seeds by their lucrative yield'.

That contradicts reality, as prices for hybrid varieties are lower. CP provides Bangkok Post (11 June 2010) with the economic details on the costs / income but wisely forgets the lower price simply saying the price of the produce whether hybrid variety or Jasmine rice is same, same. But different?

The other market player, Bayer, is having second thoughts. Its GM hybrid Liberty Link is resulting in quite a few headaches. It's quite enjoyable to read the Good News stories (courtesy of Bayer LibertyLink News Room) as opposed to the avalanche of court cases the company is losing in the USA and additional court cases being filed (source). Significantly Bayer has suspended introduction of GM rice hybrids in Brazil according to foodfirst.org.

## **The Bad News**

GRAIN has 2 significant reports, one mentioning how poor performing Vietnamese hybrids are, the other on how flood aid is being used in Pakistan to push hybrid (wheat) seed.

LABELS: AMIRA, BAYER, BRAZIL, CAMBODIA, CP, ESTIMATES, FAO, GM RICE, HYBRID, HYBRID RICE, LIBERTYLINK,