

from, prices are rising very quickly.

President Arroyo moved in, quickly locking a deal with Vietnam to supply up to 1.5 million tons of rice later this year. She also announced that with agreements to import as much as 2.7 million tons this year, the country has enough rice it needs. International market analysts say this could be “the biggest overseas purchase” of rice ever made by any country in the last decade.

### Hoarding

Critics, however, argue that by advertising this deal, then urging the public to undertake token “rice-saving” measures like asking for reduced servings in restaurants, the president may have unintentionally given the impression that the crisis is worse than it actually is.

While government stocks had been depleted down to just a two-week supply early in the month, experts say there was never any likelihood of running out.

Analysts say that the governments’ action set of a spiral of panic that caused ordinary people and traders to hoard stocks.

Seeing rising prices in the market, ordinary Filipinos bought up rice to store at home. Traders began hoarding huge stocks in the hope of profiting from higher prices later.

In response, the president set up a special anti-hoarding and smuggling task force, which carries out regular raids on suspected hoarders’ warehouses. Violators could be charged with economic sabotage.

Worse, cynics argue that President Arroyo may have exaggerated the rice crisis to distract attention from the financial scandals rocking her administration.

Just buying enough rice on the international market to ensure government stocks are replenished could cost the Philippines as much as 1% of its GDP this year, and put a huge dent in the budget. The government has already spent as much as \$1 bil-



**Rice milling in Bayombong, Nueva Vizcaya.** PEPITO FRIAS/PhilRights Photobank

lion buying 1.7 million tons of rice this year.

### Farming

The crisis has brought to the limelight the question: Why has the Philippines been unable to achieve self-sufficiency in food in the first place?

The Agriculture department claims that agriculture has improved, and rice output has been growing at 5% a year. But this may not still be enough to match rising demand—especially with a population growing at one of the fastest rates in the world.

So now population growth is another issue and the role the Catholic Church has played in blocking family planning programs is being debated.

In 1990 the population of the Philippines was 60 million. Today it is approaching 90 million.

In a globalized market, countries can produce large amounts of whatever suits their land and

climate best and import the rest.

In this light, attaining food self-sufficiency seems unnecessary.

Rice, however, is more than a commodity. It is a staple food for two-thirds of the world’s people, and has an emotional and cultural importance far beyond its mere nutritional value. For many Asian governments, maintaining a reliable supply of affordable rice is seen as vital to keeping social stability. This is why so many have shut off exports to try to control prices at home. Rice importers, or the “have-nots” — like the Philippines — are now at risk.

Politicians muddle the issue by calling it a “rice price crisis” and not a “food crisis.” But in a country where 11 million Filipinos live below \$1 a day, and one-fifth of families report having to go hungry at least once in three months—any rice price crisis is bound to be a real crisis. ■

■ By **DANILOVA MOLINTAS**

### The problem

**F**ILIPINOS consume about 11.9 million metric tons of rice every year but the decline in domestic production and the flawed rice trading system have created a 10-percent shortfall.

The country continues to rely on importing rice. This is proving unwieldy as a lot of rice-producing countries have recently opted to either ban or limit their rice exports to ensure that they can meet their own domestic needs. Such restrictions have removed a third of the rice traded in the international market.

The curb in imports and dwindling domestic rice production have combined to cause a dramatic increase in commodity prices. By March this year, rice prices had already gone haywire. In Quezon province, rice was being sold at as much as P40 per kilo, with the cheapest variety sold at P32 a kilo. Monitoring by the Bureau of Agricultural Statistics shows that the retail price as of April for commercial fancy rice was P45 per kilo, while well-milled rice was sold at P32 per kilo.

The price of rice is projected to shoot up especially during the lean months of July, August, and September this year, and may even go between P50 and P60 per kilo once imported rice reaches \$1,000 per metric ton<sup>1</sup> and world oil price is pegged at \$150 per barrel.<sup>2</sup>

### The official moves

On April 1, President Arroyo issued an executive order to ensure a steady supply of rice for Filipinos and to avert a rice crisis. The order authorized the release of P5 billion in subsidies to rice farmers.

So far, this is the largest sum ever released to support food producers. But food experts

# Finding Solutions to the Rice Problem



say this is a “mere drop in the bucket” given the magnitude of the agricultural crisis facing the country.

## What World Bank says

The World Bank Corporate Governance however is not buying the idea of giving subsidy grants to farmers.

It says such a policy is “fiscally ruinous”. It will cost the government an average of 1.6 percent of its GDP. Instead, the Bank urges the government to reduce the tariff on imported rice.

## What Pinoy experts say

Dr. Teodoro Mendoza, a crop science professor at the University of the Philippines in Los Baños, says that while five billion is a big amount, it is not enough to fully address the problem.

The bulk of the P5-billion subsidy will be channeled by the agriculture department to irrigation of rice lands to boost production and stabilize supply and cost.

## Anxious buyers: housewives from Brgy. Commonwealth, Quezon City at an NFA store.

PEPITO FRIAS/PhilRights Photobank

## Grains of gold: preparing rice for cooking.

JAY AZUCENA/PhilRights Photobank



Mendoza thinks the World Bank’s position may be as a lending institution worried about the government’s capacity to settle its loan obligations.

Both Mendoza and Senate Minority Leader Aquilino Pimentel Jr. explain that other countries, including the United States, support their farmers with subsidies, and are thus able to attain high production in rice, wheat, and other agricultural products, which they export to other countries.

UP School of Labor and Industrial Relations (SOLAIR) Dean Dr.

Jorge Sibal insists though that two regions alone dedicated to rice farming, and with the right technology, would be enough to feed the whole nation.

Former National Economic and Development Authority (NEDA) chief Cielito Habito points out that declining agricultural productivity is the result of an institutional environment that gave little incentive and capability for farmers to invest in productivity improvements.

Other disincentives are low farm gate prices and rice cartels

lording over rice trading.

With farm credit dominated by usurious informal lenders and traders, farmers have little capability to spend for productivity enhancements even if they were available.

Dr. Rene Ofreneo of the Fair Trade Alliance says that incoherent policies have thwarted the ability of the country to become self-sufficient in rice and other agricultural crops. Massive land conversion and trade liberalization have also caused the current state of food insecurity.

## The Proposed Solutions

- multi-pronged development interventions including land reform, job creation, and food programs for both the urban and rural poor
- land reform should include irrigation and farm credit, and address the uncompetitive elements in the rice trading system. ■

## ENDNOTES

<sup>1</sup> In fact, in its April 17, 2007 tender, the National Food Authority acquired 35,000 MT of 5% broken rice with a weighted average price of \$1,3233 per ton, and 288,875 MT of 25% broken with a weighted average price of \$1,135.95.

<sup>2</sup> As of May 23, galloping world oil prices had already reached \$135.04 a barrel. The investment bank Goldman Sachs projects oil prices to average \$141 a barrel in the second half of 2008. Prices could top \$200 a barrel by 2010, the bank said.

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