



■ By **DANILOVA MOLINTAS**

WITH A 7.3 percent growth in gross domestic product (GDP), 2007 was supposedly the boom year for the economy – the time of “great hopes and expectations.” That is, according to President Gloria Macapagal-Arroyo.

She was banking on growth coming from economic integration with east Asian economies, and tighter economic relations with China – issues tackled during the 2007 Association of South-east Asian Nations summit.

Today, a year after the summit, news of a global rice supply crisis rudely interrupts the administration’s strident economic huzzahs. And with the Philippines the world’s top rice importer today, Pinoys are

bound to go hungry.

Long lines form wherever government stocks are being sold at subsidized prices. The government has been searching the international markets for new supplies to replenish its stocks – and is willing to pay record-breaking prices. So aggressive is its rice-buying push – described by some as “a mad scramble” – that the Philippines has been blamed for the spike in world prices.

According to the UN Food and Agriculture Organization, large tenders by the Philippine government – which wanted to

MUDDLING THE RICE ISSUE



Residents of Brgy. Commonwealth, Quezon City flock to a National Food Authority (NFA) rolling store.

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A grandmother in Brgy. Tangos, Navotas buys from an NFA store.

fill its expected 2008 rice production shortfall of up to 2.7 million tons - "have helped drive up prices by 76 percent between December 2007 and April 2008." The country's "aggressive and pre-announced buying" - made at a time when major rice suppliers like Thailand and Vietnam were putting export curbs - "had the effect of swinging the market forces."

For over a month, news of rice dominated headlines. Finding a solution to the crisis seemed to be consuming the government's energy.

What really is behind this crisis? Is there really a crisis?

Agriculture Secretary Arthur Yap says that the problem lies not with a shortage, but with rising prices of rice.

"And when you consider that 80% of our population spends 60% of their income on food, and 40% of that is on rice, it is very serious," he told the media.

Biggest rice Importer

The Philippines has always had to import rice, unlike other rice growing nations like Thailand and Vietnam that have turned themselves into the world's two biggest rice exporters.

In contrast, successive governments in the Philippines have failed to invest in the agriculture sector. And while the Philippine economy is growing at an impressive 7.5%, most of the growth comes from the services sector - like the booming call-centre business.

Na-

tionists and economists alike have pointed to this lopsided growth as unsustainable, and have long warned that a food crisis was just in the offing. While food prices were low, no one took notice of these warnings. But once they started rising, people began panicking - and this has complicated matters for the country.

First off, buying on the international market became harder. Traders in Thailand and other rice exporting countries sell rice on forward contracts. With prices moving so fast, however, they have found it difficult to determine the right price. Now, with huge numbers of anxious buyers to choose

Sacks of rice ready for loading, Bayombong, Nueva Vizcaya.



Photos: PEPITO FRIAS/PhilRights Photobank

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. ■

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The problem

FILIPINOS 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 ton¹ and world oil price is pegged at \$150 per barrel.²

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