Harvesting Hunger

The Philippine Rice Crisis

BY AURORA A. REGALADO

If you are poor, you have no choice but to fully bear the brunt of the rice crisis. You wake up early to join the long lines of fellow poor, mostly women and children baking under the scorching sun, just to be able to buy two kilos of subsidized National Food Authority (NFA) rice at P18.25/kilo. Otherwise, you shell out more than double that price to purchase a kilo, in its “commercial” variety. An observer likens the NFA rice lines as “parang sawang nakapulupot sa haba (like a coiled snake).” Luckily for the Philippine government, there are no food riots yet as experienced in other countries like Haiti, Somalia and Mexico. Perhaps the Filipinos are just too patient.

TABLE 1. Prevailing retail price (Well-milled rice), P/kg

<table>
<thead>
<tr>
<th>Month</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>23.72</td>
<td>25.80</td>
</tr>
<tr>
<td>February</td>
<td>23.81</td>
<td>26.08</td>
</tr>
<tr>
<td>March</td>
<td>24.07</td>
<td>27.57</td>
</tr>
<tr>
<td>April</td>
<td>24.17</td>
<td>32.20</td>
</tr>
<tr>
<td>May</td>
<td>24.29</td>
<td>33.69</td>
</tr>
<tr>
<td>June</td>
<td>24.38</td>
<td>38.95*</td>
</tr>
<tr>
<td>July</td>
<td>24.69</td>
<td></td>
</tr>
<tr>
<td>August</td>
<td>25.09</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>25.72</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>25.70</td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>25.49</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>25.53</td>
<td></td>
</tr>
</tbody>
</table>

* Preliminary as of June 20, 2008
Source: NFA
Already reeling from soaring fuel and rice prices, Filipinos have yet to see the worst, analysts say, during the lean months of June to September. In Nueva Ecija, one of the main rice producing provinces, the price of ready-to-mill palay (unhusked rice) rose to P21.50 a kilo by the first week of June.\(^1\) At that price, a kilo of milled rice will cost P43.

The government claims that there is no rice crisis, only a price crisis. In essence, there is no significant difference. High rice prices are a consequence of rice shortages or shortfalls in supplies vis-à-vis demand. The Philippines has not been able to produce sufficient rice for its population in many years. It has been a net importer of its staple food for years now.

In November 2007, the NFA Council approved the importation of 1.6 million metric tons (MMT) for 2008. By February 2008, upon the recommendation of the Inter-Agency Committee (IAC), the NFA Council increased the volume to be imported to 2.1 MMT. The cited justifications for the increase were: production estimates for January to June 2008 are vulnerable to change; the prevailing unfavorable weather condition; tight global rice supply; and diet shift from bread and corn to rice.\(^2\) The NFA reported that the Philippines has so far signed contracts to import a record high of 2.2 MMT\(^3\) (December 2007 – June 2008 bidding) this year, of which 1.3 MMT have arrived and the balance is expected to arrive by June-September.\(^4\) Philippine rice imports in 2008 could reach 2.7 MMT, Agriculture Secretary Arthur Yap has said.

Why is this happening?

**Era of Cheap Rice Over**

The increases in rice production due to higher productivity during the Green Revolution in the 60s and 70s resulted in lower rice prices. This trend, however, ended by 2001 and rice prices have risen continuously since then (Figure 1). Global prices soared by the first quarter of 2008 and reached as high as $1,010 per metric ton (Thai rice, 5% broken, a popular export grade - May 29 rice quote) from only $368/mt in December 2007. This development is
disastrous for the Philippines, a perennial rice importer (now the world’s biggest rice importer). This meant more dollars to buy the commodity, expenses which the country could hardly afford and which could have been invested in equally important priorities.

**FIGURE 1. Rice price increases, international market**

![Graph showing rice price increases, international market](image)

**Source of raw data:** The Pinksheet, World Bank
Mar - Apr 2008 data from Oryza.com

**Monthly export price (US$/ton FOB) of Thai rice 5%-broken, 1998-2008 (March 1998 to April 2008)**

Source: IFPRI

In need of more than two million tons to supplement its local production, the Philippines, along with other rice-importing countries, scrambled to secure supplies for its consumption needs and buffer stocks. The Philippines had problems securing stocks as several rice auctions or tenders have failed. With world rice supplies already dwindling, exporting countries like Thailand and India restricted exports to ensure their own rice security. Dwindling supply and high demand pushed rice prices to unprecedented levels. At the international level, rice prices remain volatile and high.
Key factors that have contributed to spiraling prices include decreasing world rice inventories and very modest increase (4.6% in 2007 over 2006 data) in world grain production, rapid population growth, skyrocketing fuel, freight and transport costs, the emerging biofuels market, climate change and market speculations of traders and policy makers which led to panic in some countries.5

A Bitter harvest

Why is the Philippines a perennial rice importer?

Poverty, low productivity, rapid rise in population, high production costs and losses, inappropriate programs and insufficient government support and investments are the major reasons why the Philippines is not producing enough and has to rely on imports to feed its growing population.

The Philippine population has rapidly grown from 60.7 million in 1990 to 76.3 million in 2000; 88.7 million in 2007; and 90.4 million in 2008. On the other hand, total rice production was only 16.24 million tons (Bureau of Agricultural Statistics data) as compared to the needed volume of 18.5 million tons of rice in 2007. There is a shortfall of more than 2 million tons of rice, and this has to be imported from a thin world market (only 6-7 percent of world rice produced are traded in the world market).

While there has been an improvement in Philippine rice yield, from 3.51 metric tons/hectare in 2004 to 3.76 MT/hectare in 2007 (BAS data), it is still low compared to what have been achieved by other countries like Vietnam (4.8 MT/ha), Indonesia (4.5 MT/ha) and U.S. (7.4 MT/ha). While Thailand has lower rice yield (2.6 MT/ha), it has more than 10 million hectares devoted to rice production. The United States allotted only 1.3 million hectares to rice production but it has high productivity.

Low productivity in the Philippines is attributed to several factors, namely the high costs of production, especially farm inputs, aggravated by uncertainties in production (insect pests, diseases,
typhoons and drought), low or fluctuating prices of palay (unhusked rice), land conversions (from agriculture to non-agriculture uses), crop conversions (from production of palay to other crops) and inaccessible credit facilities.

From 2002 to 2007, the annual growth rate of rice production was 3.68 percent. This growth rate and the current state interventions and investments in the industry could result in only 94 percent self-sufficiency in 2010 and 100 percent self-sufficiency in 2016.6

Civil society groups (CSOs) like the Rice Watch and Action Network (R1) and the Philippine Coalition for Food Security and Fair Trade (PNLC Philippines) pointed out that the strong demand for rice is an indicator of a country mired in poverty. Rice accounts for 28.8 percent of total budget of the lower income (CDE segment) of the population and 36.8 percent of their food budget. The sharp increases in rice prices may likely displace non-food items in the food budget of the urban and rural poor.7

In the Philippines, per capita rice consumption per year grew from 86 kg (1970-72) to 101 kg in 1999-2001, 118.69 kg in 2006 and about 120 kg in 2007. In more affluent rice eating societies, rice consumption has gone down as diets have become more diversified to include more meats, vegetables and other sources of carbohydrates like bread and noodles. In Malaysia, per capita rice consumption dropped from 123 kg/yr (1970-72) to 88 kg/yr (1999-2001). In Thailand, it dropped from 152 kg/yr to 109 kg/yr over the same period.8

Farmers’ organizations and CSOs have decried the low priority given to agriculture compared to industry and services. They said that the country is now harvesting the fruit of decades of neglect and inappropriate policies and programs – the rice crisis.

**Is self-sufficiency in rice attainable by 2010?**

Achievable, says the government. On July 3, 2008 at the National Food Summit, President Gloria Macapagal-Arroyo launched the P43.7 billion FIELDS Initiative to achieve self-sufficiency in grains
and other food products. In the tradition of coining pedestrian acrostics, FIELDS stands for fertilizer and micronutrients, irrigation facilities, rehabilitation and restoration, extension and education and training of farmers and fisherfolk, loans, dryers and other post-harvest facilities and seed subsidy for high-yielding, hybrid varieties. The multi-billion program provides:

- P500 million for fertilizer support from the Agricultural Competitiveness Enhancement Fund, with special focus on the use of organic fertilizers;
- P6 billion for irrigation, with the goal of rehabilitating all irrigation systems that need to be repaired or rehabilitated by 2010;
- P6 billion for farm-to-market roads and other rural infrastructure like roll-on roll-off (RORO) ferry terminals.
- P5 billion for education, extension and training of farmers on new technologies and research and development on how to increase farm yields and lower production costs;
- P15 billion in loans and credit for farmers, fisherfolk and other small rural borrowers, which is on top of the P5 billion the president earlier ordered the Land Bank to make available to rice farmers;
- P2 billion for dryers and other post-harvest support like storage facilities; and
- P9.2 billion for hybrid and certified seed production and subsidies until 2010, of which P6.5 billion will be for certified seeds and P2.7 billion for hybrid seeds. The target is to plant certified seeds in 600,000 hectares in 2008 and hybrid seeds in 900,000 hectares in 2009 and 2010.

The Department of Agriculture through the Philippine Rice Research Institute (PhilRice) came out with the Rice Self-Sufficiency Plan 2009-2010. The goals are 100% rice self-sufficiency by 2010 and improvement of rice productivity and increased income of rice farmers.

Farmers’ organizations and CSOs have heavily criticized the FIELDS initiative as deeply flawed, saying its fundamental framework is based on dependence to commercially-developed hybrid rice seeds.
and chemical-based farm inputs. As the groups point out, such a framework has “driven the country to this (rice) crisis in the first place.”

**Wake up call**

Ensuring the country’s food security, especially its main staple, is an obligation of the Philippine government. In trying to attain self-sufficiency, however, it must not compromise the ability of future generations to feed themselves.

As such, farmers’ groups and civil society (see R1’s proposal, available at www.R1phils.org) are proposing the adoption of a sustainable rice production system in the government’s rice self-sufficiency program for 2009-2010. They emphasized the need for equal political and material support for sustainable rice farming. Some of the specific recommendations include a clear phase-out plan for subsidies for hybrid seeds and other inputs; the strengthening of agricultural research and extension; production, credit and marketing support; and the rehabilitation of small-scale irrigation systems and watersheds, among others.

These groups also called on the government to re-allocate subsidies given to seeds, fertilizers and pesticides to public goods and services that will enable and strengthen the capacities of farmers, local communities and local government units to effectively address local development needs.

Indeed, the Philippines is now facing great challenges that if not handled well, would further put its poor people’s livelihoods and food security (e.g., rice security) at risk. The present rice crisis is another wake-up call for government to address long standing issues that have affected the country’s ability to provide its people enough food for a healthy and productive life.

May it heed this alarming call. Otherwise, recurrent crises are the bitter fruits we will continually harvest.
NOT ACHIEVABLE, AFTER ALL

But barely a week after the National Food Summit, the government announced that it is abandoning its rice self-sufficiency goal by the end of the decade.

It pushed the goal three years back, instead.

“Mukhang hindi kaya,” Augusto B. Santos, acting director general of the National Economic and Development Authority (NEDA) told the media.

To achieve 100% self sufficiency in rice by 2013, the government will pump some P52-55 billion until 2013. Bulk of the investment will be poured into improving irrigation facilities and farm-to-market roads.

NOTES:

1. MODE price monitoring data, May-June 2008

2. Minutes of Meeting of the NAFC Sub-Committee on Cereals, March 25, 2008, p.4

3. The previous record was 2.136 MMT imported in 1998 when the country suffered the effects of El Niño (prolonged drought).

4. NFA presentation during the Meeting of the NAFC Sub-Committee on Cereals, June 26, 2008


7. Governor Joey Salceda, A Roadmap to Food Security (PowerPoint Presentation), 2 April 2008

Aurora A. Regalado is a Managing Trustee of the Management and Organizational Development for Empowerment (MODE) and Co-convener of the Rice Watch and Action Network (R1).