

# Rice shortages heighten political crisis in the Philippines

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8 April 2008

Rice prices have soared to a 34-year high in the Philippines, exacerbating social and political tensions, and creating more problems for the crisis-ridden regime of President Gloria Macapagal Arroyo amid claims that her government had known of the shortages for more than a month.

Globally, stocks of rice and other foods have plummeted, resulting in a steep rise in prices. Rice has been one of the worst hit with prices jumping 50 percent in the two months to the end of March and at least doubling since 2004. An Associated Press article late last month pointed to concerns that “prices could rise a further 40 percent in coming months”.

An unprecedented cold snap as well as pests and diseases affecting crops in China and South East Asia have had an immediate impact on rice availability, as has recent flooding in the Philippines and Vietnam. Increasing urbanisation, changing land use and shifting patterns of agriculture, including the growing of crops for bio-fuels, are among the underlying reasons for shortages of staples such as rice. Rising prices also have their own dynamic, leading to speculation and the hoarding of rice supplies in the hope of future windfall profits.

Some of the largest rice exporters have limited sales. Vietnam has recently decided to reduce exports by almost a quarter and Cambodia has announced a two-month ban on rice exports. The world’s leading exporter, Thailand, has also begun to control foreign rice sales. India has raised the minimum export price by more than 50 percent and China has begun to import rice.

As the world’s largest importer of rice, the Philippines has been among the hardest hit. Rising prices for rice, along with other food items and oil, led to a sharp jump in the official inflation rate from 2.6

percent in March 2007 to 6.4 percent in March this year. Radio Australia reported late last month that “rice prices in Manila have soared to as high as \$1.15 a kilo from as low as 50 cents a kilo a week ago.”

Accusations of incompetence in dealing with the shortages have compounded the political crisis facing President Arroyo. She is already facing allegations of corruption over a national broadband deal and of betraying national interests by signing a deal with Vietnam and China to conduct a joint survey of the disputed Spratly Islands. Her approval rating has slumped to a record low of 23 percent.

Initially, Arroyo tried to deny there was any rice crisis at all, saying it was “a physical phenomenon where people line up on the streets to buy rice. Do you see lines today?”

The leftist peasant organisation, Kilusang Magbubukid ng Pilipinas (KMP), claimed last month, that two secret internal government memoranda dated February 11 and February 27 demonstrate that the Arroyo administration knew of the impending rice crisis since February.

One of the reports cited in an ABS-CBN article included a request for the National Food Authority (NFA) to import an additional 500,000 tonnes of rice. “The registered growth in palay [paddy rice] production is not enough to meet the combined effect of an increase in demand and the need to maintain the required buffer stock by July 1, the start of the traditional lean supply months of July to September of each year,” it stated.

KMP chairman Rafael Mariano told ABS CBN: “As can be seen from the memos Gloria and her regime know that a rice crisis is imminent but it is still fooling the people because she is afraid of her political future, but by doing so she is toying with the lives of at least

68 million Filipinos who earn less than \$2 a day.”

Desperate to minimise the political impact, Arroyo has scrambled to secure supplies and to find scapegoats to deflect attention from her administration. Her officials have immediately blamed rice hoarders and unscrupulous traders who have been repackaging low-quality, government-subsidised rice to sell as high quality commercial rice at inflated prices.

Lower house speaker Prospero Nograles declared on April 4 that “smuggling and hoarding by rice cartels should be curbed effectively” and called for tougher legal penalties for illegal price manipulation under the country’s Price Act. Currently penalties of 5 to 15 years prison and fines of 5,000 to 2 million pesos can be imposed. Raids by the NFA and National Bureau of Investigation have taken place across the country over the past week.

Cebu City councillor Sylvan Jakosalem has warned, however, that such actions may be counterproductive. After meeting with rice traders last Friday, Jakosalem pointed out that wholesalers stock up at this time of the year and usually hold back stock to tide them over the lean months from July to August. Without a distinction between stocking and hoarding, traders are reluctant to buy large stocks for fear of prosecution.

Arroyo has also frantically sought to find sources of rice imports, recently securing an agreement from Vietnam to supply around 1.5 million tonnes. In all, the Philippines plans to import around 2.2 million tonnes including from Thailand and the United States. Most imports are currently handled by the NFA, which then provides subsidised rice for the local market. Arroyo called on the finance ministry to draw up a plan to cut tariffs and has announced a doubling of import quotas to encourage private importers—proposals that has already been criticised by local farmers.

Arroyo has also called for cuts to consumption. Agriculture Secretary Arthur Yap announced a plan late last month to encourage restaurants to serve less rice. “We are inviting them to participate in the rice conservation program,” he said. “I’m asking fast food-restaurants to give their customer an option to order a half cup of rice.”

Opposition senator Aquilino Pimentel bitinglly remarked: “It reminds me of Marie Antoinette, who shortly before the French Revolution famously said if people had no bread to eat, they should eat cake.”

Millions of working people face food insecurity and hunger. A World Bank update this month found that the proportion of the population living below the poverty line rose between 2003 and 2006 from 30 percent to 32.9 percent despite higher levels of growth. Falling real incomes, compounded by cutbacks in social spending, were the main factors. Other estimates put the poverty rates as high as 40 percent of the population of more than 90 million people.

Rodolfo de Lima, a parking lot attendant, told the Associated Press that if rice prices continued to rise “my family will go hungry.” He added: “If your family misses a meal you really don’t know what you can do....” Another worker Domingo Casarte said: “When people get trapped, I can’t say what they will do.”

Commenting in the *Philippine Daily Inquirer*, Senator Loren Legarda warned: “Rice is an extremely sensitive political commodity. There is no question a surge in the staple’s price is bound to spur social unrest and political instability.” Already under siege over other scandals, Arroyo is desperately implementing stopgap measures to try to avert an eruption of popular anger.



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