

# Philippines: Spiralling rice prices bring hunger to millions

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An Asian Development Bank report published in May estimated that food price increases in the Philippines could send an estimated 2.72 million people into absolute poverty. This was the best-case scenario, based on an assumption that the cost of food would rise by 10 percent over the next year. More than 5.6 million people would be pauperised if food prices jumped by 20 percent and over 8.8 million people if the increase were 30 percent.

Rice prices have increased by an average of 27.7 percent since December 2007 according to the Agriculture Department. As of May, regular-milled rice was selling at \$0.69 per kilogram. The *Philippine Daily Inquirer* reported on June 1 that rice prices had reached \$1.16 per kilogram in parts of Mindanao.

Over the past three months, international rice prices have tripled, according to the *International Herald Tribune*. The price of medium-grade Thai 15 percent broken rice soared from \$360 a ton at the end of 2007 to \$735 a ton by late March. By the end of May, the price for Thai 100 percent grade B white rice, which serves as a regional benchmark, hit \$1,038 a ton. It now hovers around the \$1,000 mark.

The increases are having a devastating impact on the urban and rural poor. Some 68 million Filipinos live on less than \$2 a day, according to the National Statistics Office 2006 survey. Rice purchases make up 12 to 20 percent of their total food expenditures.

The Social Weather Station, a Philippines social research institution, estimates that over 2.8 million families, or more than 10 million people, already experience “involuntary hunger”—having nothing to eat on at least one day over the past three months.

One unemployed man committed suicide in Central Mindanao on May 28, the *Philippine Daily Inquirer* reported, “out of desperation for being unable to feed his family due to the soaring price of rice.”

As millions go hungry, the government of President Gloria Arroyo has refused to impose price controls, insisting there was no alternative to allowing “market forces” to set the cost of food. Arroyo declared on April 28: “If we control the price of rice, then the more the supply will dwindle.”

The Agriculture Department reported, however, that commercial stockpiles rose by 5.1 percent between January 2008 and February 2008, indicating that corporate traders were hoarding rice in anticipation of further price increases. Government and household stocks, by contrast, plummeted by 22 percent and 16.8 percent

respectively.

The peasant organisation, Kilusang Magbubukid ng Pilipinas, pointed out in an April 2008 report that rice should be in ample supply. The report stated: “If the projected 7.2 million MT palay [rice] output for this season is met, combined with the total rice inventory as of March 25, then there should be enough rice available for every Filipino table until the first week of October, even without importation.”

Instead of taking action against hoarding and profiteering, the Arroyo regime has contributed to rising prices. It made three large tenders between December 2007 and April 2008 to import rice, ultimately purchasing 1.2 million metric tons. In the process, it bid up the world price by as much as 76 percent, according to the United Nations Food and Agriculture Organisation.

Since March, the government has been dumping its stockpiles at a loss in an attempt to stave off unrest over the price of rice. The National Food Authority (NFA), the agency tasked with regulating food production and distribution, has expanded its sales of rice to the poor in the major cities, especially in Manila.

The sales, which were intended to win support for Arroyo, have turned instead into a political nightmare for the government, exposing the extent of food deprivation in working class districts. Hundreds of poor families have formed long queues at distribution centres, desperate to buy rice priced at \$0.42 per kilogram in contrast to the average market price of \$0.76.

In an attempt to dissipate the queues, local government units, the Catholic Church and the Social Welfare Department have been tapped to widen the government’s rice distribution network. According to an April 10 *Manila Times* report, public demand quickly swamped even the new outlets.

Father Mar Castillo, the coordinator of the Catholic Church-affiliated charity Caritas Manila, described the government’s allocation of 24,000 sacks of rice for distribution to all the dioceses in the capital as inadequate. “We don’t display it [government rice] anymore just to avoid a mob of buyers,” the priest admitted to the paper.

The working masses, callously labelled a “mob of buyers”, had been driven to seek subsidised rice by the unabated surge in prices. In Metro Manila alone, the cost of rice rose 19.6 percent in March and 38.4 percent in April. Nationwide, rice prices, after increasing 10.9 percent in March, rose by 24.6 percent in April.

Unsurprisingly, tensions have mounted. On May 29, the *Daily Inquirer* reported “shouting matches and near fist fights”, as

residents scrambled to buy rice from a NFA outlet in Digos City on Mindanao.

While government officials publicly dismissed the possibility that Haitian-type food riots could occur, Arroyo ordered the military to provide security and deployed 400 military trucks to transport the subsidised rice.

The price of rice has always been a politically volatile issue in the Philippines. According to a 2005 paper by the Philippine Institute for Development Studies (PIDS), written by Ponciano S. Intal and Marissa C. Garciato, rice price increases have been a significant determinant of electoral results. Spikes in the cost of rice led to the defeats of President Carlos Garcia in 1961 and President Diosdado Macapagal, Arroyo's father, in 1965.

Significantly, the NFA, then named the National Grain Authority, was established just a week after President Ferdinand Marcos declared martial law in 1972 and imposed dictatorial rule. The Marcos dictatorship, conscious of its narrow social base, ordered the agency to undertake a massive procurement program to supply rice at subsidised prices.

In the early 1980s, facing mounting social unrest, the dictatorship extended the NFA's authority from grains to other food items like fresh fruits and vegetables, seafood and processed or packaged food products. The regime opened government retail stores to sell low-priced basic food and household items.

By 1985, however, under pressure from global capital and wracked by a financial crisis, Marcos terminated the NFA's non-grain trading activities, privatised feedgrains and wheat importation and lifted price controls on rice and corn. By the time the dictatorship collapsed in 1986, the government retail stores had been sold off to the private sector or closed.

Governments since have imposed budget constraints on the NFA, bowing to the relentless demands of capital—local and international—for the scrapping of state intervention into the market. The agency, which procured as much as 10 percent of total production in the 1970s, barely bought 0.05 percent of local rice between 2001 and 2006.

The NFA's annual subsidised sales amount to just 6 percent of the rice market and have little impact on overall prices. The private sector dominates the \$1.24 billion rice industry. Traders who bought rice in the last harvest from farmers for as low as \$0.28 per kilogram are retailing it at more than double or even triple the farm-gate price.

Even the limited provision of subsidised rice is bitterly opposed in ruling class circles. Senator Edgar Angara, the chairman of the Senate committee on agriculture and an Arroyo ally, has demanded that the NFA be stripped of its rice importation monopoly. He branded the agency as the next NAPOCOR—an allusion to the state-owned power corporation that is losing billions of dollars due to subsidised electric power prices and onerous take-or-pay contracts with private electric power producers.

A Senate review of NFA operations revealed its accumulated losses in 2007 amounted to \$1.12 billion, while its outstanding loans had reached \$1.60 billion. Angara blamed the agency's sale of subsidised rice to the poor, and demanded it end. He told the *Manila Times* on April 22: "The NFA should give up its trade

functions to the private sector, which can do a much better job. If private rice traders are allowed to import and sell rice without any restriction, the supply and price of rice will likely stabilise."

Manuel Villar, the Senate president, a real estate billionaire and a member of the anti-Arroyo opposition, immediately backed the proposal. Echoing Angara, Villar said: "There should be reform in the NFA, its power should be clipped, and rice importation should be left to the private sector."

The move to scrap the NFA has already begun in the lower house. In March, a bill was filed by another Arroyo ally, Nonato Joson, to strip the agency of its importing functions. While acknowledging "affordability may be a problem" in the "short term", he insisted "the price of our rice must be market-based if we are to spur productivity".

In the meantime, the private sector's quota for importing rice has already been lifted from 300,000 metric tons to 600,000 metric tons. In another incentive to private traders, the government announced that the 50 percent tariff imposed on rice imports will be waived.

Ominously, Esperanza Cabral, the Social Welfare Department secretary, has announced that the government-subsidised rice currently priced at \$0.42 per kilogram will soon be withdrawn from public markets. Instead, new stocks of imported rice are set to be sold at \$0.58 per kilogram.

The measure, originally laid out in mid-April, has been painted by the Arroyo regime as a means to redirect the cheaper rice to the "poorest of the poor". Under the new distribution system, the \$0.42 per kilogram rice will only be sold to those families with ration cards called Family Access Cards, which identify them as living below the official poverty threshold of \$116.28 a month.

The rationing system, however, will be limited to the capital. Moreover, while 750,000 families in Manila have been identified as potential recipients, the cards have been distributed to only 150,000 families, with applications from 350,000 families still being processed. The new distribution system is a brutal cutback to stave off mounting NFA losses and further let loose market forces.

The NFA has always had the character of populist half-measure. Historically deprived of resources, it was never meant to end either the poverty of the rice farmers or to adequately meet the needs of the poor. An end to government-subsidised rice sales will nevertheless have a crippling impact and plunge thousands of families into starvation. In moving to do so, the Filipino bourgeoisie are signaling their determination to remove all barriers to their profit-making, regardless of the dire consequences.



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