

# Fears of a looming Philippine rice crisis

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The possibility of a serious rice shortage has dominated the Philippine press this past week. On April 12, the *Philippine Daily Inquirer* ran a banner headline that President Aquino had been warned of a rice crisis in a confidential report issued by the National Intelligence Coordination Agency (NICA) in late February. The report, which was leaked to the press, warned of possible food riots, concluding that “the danger of a food crisis in this country is reaching the point that it has now become an issue of national security.”

President Aquino first responded to the article by claiming that fears of a food shortage were unfounded and that the Philippines would have an adequate supply of rice for the coming year. A day later, he announced that the NICA report upon which the article was based was a fraud. The head of the Department of Agriculture held a press conference in which he stated that NICA had never issued such a report to the president and that a conspiracy of rice merchants had produced the phony report in a bid to raise market prices.

The Aquino administration’s disavowal of the NICA report and their allegations of a shadowy cabal of rice merchants engaged in a disinformation campaign do not hold up to scrutiny. Aquino publicly acknowledged receipt of the report in a press conference in late February. The data given in the report as published by the *Inquirer* were accurate; the conclusions were measured and reasonable. The report warned that a shortage would benefit “a rice cartel that continues to operate in the country.” It advocated that the National Food Authority (NFA) submit a “detailed report on rice availability” and take measures to ensure supply. These conclusions would hardly benefit a conspiracy of rice merchants.

More telling, the unnamed rice merchants that Aquino claims are manipulating the press and the Philippine public, are precisely the beneficiaries of his campaign of privatization. They are the capitalists which he claimed would handle the importation, purchase and sale of rice more efficiently than government. He slashed the NFA budget so these merchant would be unobstructed in their pursuit of profit.

The furor over the possibility of a rice crisis and the Aquino administration’s dismissal of the allegedly fraudulent NICA report reveals the precarious position in which Aquino’s policy of privatization has left the Philippine rice supply.

The National Food Authority was the Philippine government agency responsible for the purchase of a portion of the annual rice harvest from local farmers at subsidized prices, the importation of rice to ensure an adequate supply, the sale of rice at reduced prices for poor families, and maintenance of a stockpile of rice to be used in the event of a shortage. Aquino reduced the budget of the NFA last year to zero,

effectively eliminating all of these functions. The rice stockpile was halved from a 30-day supply to 15. The importation of rice was tendered out to private merchants. The subsidized purchase and sale of rice was drastically reduced.

On entering office, Aquino was under sharp pressure from the World Bank and the IMF to slash government spending and to service the national debt. The NFA budget was one of the first items that he targeted. The World Bank quarterly report on the Philippines released on April 8, entitled “Robust Growth, Stubborn Poverty,” singled out the NFA cuts as a positive example of “priority and efficient spending” which “significantly slowed down total public spending.”

The World Bank report praised the Aquino administration’s use of targeted cash dole-outs to poor families to replace the functions of the NFA. This program, dubbed by the Aquino administration Conditional Cash Transfer (CCT), gives 1,000 pesos (\$US23) a month to poor families to supplement their income provided they meet certain requirements such as enrolling their children in school. These limited hand outs, even assuming they reach the poor families for which they are intended, cannot replace the infrastructure and programs that the Aquino administration has slashed.

The Food and Nutrition Research Institute of the Department of Science and Technology (FNRI-DOST) released the findings of its Seventh National Nutrition Survey in February, 2011. They found that more than 50 percent of Philippine children ages 0-5 are malnourished. A Social Weather Stations (SWS) survey released on April 8 showed that 20.5 percent of Filipinos reported that they had experienced involuntary hunger in the past three months. This figure has gone up from 18.1 percent since the last survey results in November 2010. The number of hungry Filipinos is growing.

When confronted with this data, Aquino responded with disbelief, dismissing the survey results. He claimed in the Philippine press that the statistical sample used “did not capture those helped by CCT.” Aquino’s dismissal indicates clearly that he is conceding that there is a poor section of the population which is hungry and unaided by the CCT program. But SWS conducts rigorous, nationwide surveys. This is not an error in statistical sampling. Hunger is mounting in the wake of Aquino’s campaign of privatization and budget cuts.

The Philippines has long been the world’s largest importer of rice. Claiming that he was aiming at making the Philippines self-sufficient in rice production, Aquino ordered the dramatic reduction in imported rice for 2011. From 2.3 million metric tons in 2010, Philippine rice imports have dropped to 200,000 metric tons so far in 2011.

Aquino and the Department of Agriculture are projecting a bumper crop of rice this year in the Philippines. The head of the Department of Agriculture, Proceso Alcala, forecast a growth of 1 million tonnes in the dry season harvest this year. But there are several problems with these claims.

First, Alcala is only examining the data from the northern island of Luzon where conditions have been favorable. The southern islands of the Visayas and Mindanao have had flooding and unfavorable conditions and are projected to have a much lower yield. Second, even the best annual bumper crop in the past decade has only resulted in a growth of one million tonnes over the average. Alcala is projecting this amount of growth for the dry season harvest alone, which is half of a year's agricultural output. Finally, even if these numbers were accurate and sustainable for the entire year, there would still be a dramatic shortfall from the projected demand. The US Department of Agriculture estimates a shortfall for the Philippines of 1.5 million tonnes in 2011. This amount will need to be imported.

Global food prices have soared in the past year. A World Bank press release dated April 14, 2011, indicates that global food prices are 36 percent higher than last year and are highly volatile. Rice has remained the one point of comparative stability while the prices for wheat, sugar, maize and other crops have skyrocketed. Two factors have contributed to relatively constant world rice prices. The first was a good rice harvest in Thailand and Vietnam and the second the dramatic reduction in demand from the Philippines. Both of these factors are poised to change.

A sustained drought in northern China has destroyed at least 40 percent of the Chinese wheat harvest. This shortfall will need to be replaced with rice. The Chinese government has called for higher rice production in the southern provinces, but even the best efforts will not be able to replace the lost grain. Given the astronomical prices of wheat on the world market, the Chinese are looking to import rice.

Rice grown in the United States, largely in California, is a leading contributor to the world rice market. In the past year, 20 percent of US rice land has been shifted away from rice to other crops in pursuit of government subsidies for bio-fuel production.

Myanmar has imposed a ban on all rice exports, so the Irrawaddy River delta, a highly productive region, will not be feeding anyone outside of Myanmar. India has imposed a minimum export price on its rice. Rice can only be exported at over \$850 a ton. The current Thai benchmark price for rice is \$540. India is contemplating raising this minimum to as high as \$1,200 per ton according to the *Economic Times* of India.

Aquino claims that one of the countries that he is looking to as a potential source of rice imports is Cambodia. Cambodia, while highly fertile agriculturally, has had very limited infrastructural investment. Last year it exported 20,000 tons of rice. This pales when compared to the projected 1.5 million ton Philippine shortfall.

Both Indonesia and Bangladesh have begun massively importing rice. In January, the Indonesian rice importing agency BULOG ordered 820,000 tons of rice, more than four times the expected order. Bangladesh doubled its rice imports to 1.2 million tons.

Japan lost at least 20 percent of its rice harvest to the March 11 tsunami and the Fukushima Dai-ichi nuclear catastrophe. It will be looking to Thailand for imports as Thai farmers have begun growing the japonica strain of rice that is consumed in Japan.

The world is looking to the harvests of Vietnam and Thailand to sustain this increased demand. However, *Vietnam.net* reported on April 12, that its coastal provinces were suffering from a potential drought. The annual seawater inundation had left areas up to 25 kilometers from the coast with heightened salinity. Without sufficient rain to dilute the salty soil with fresh water none of this land will be arable for rice.

*Bloomberg.com* reported on April 8, that Thailand is suffering an infestation of rice planthoppers which are destroying crops. The government has determined not to have a third rice harvest this year, letting the fields lie fallow to kill off the pests. This will slash the Thai rice harvest this year by a third. The *Bangkok Post* reported on April 12 that no crop insurance will be issued for this year's second rice harvest. The potential damage from pests is too high.

When the Philippines returns to the world market to import additional rice, as it must given current estimates, it may cause global rice prices to spiral dramatically upward.

Regional governments are preparing for this eventuality by making further inroads against the living standards of the poor. Both the Philippine and the Indonesian government have recently begun strongly advocating that consumers shift from rice to cassava as their primary staple.

Aquino's administration is also seeking to place the blame for any possible rice shortage on consumers. Filipinos waste three tablespoons of rice every day, Alcala stated. To save rice, Filipinos should take three tablespoons less rice each day. And this to a population where over half the children already suffer malnutrition!

In response to claims that there was a pending rice crisis, the Philippine Senate offered sweeping and unspecified "emergency powers" to the president. Aquino turned down the offer, saying that it was not needed—for now.

As hunger mounts, so will anger. When the majority of the Filipino people can no longer afford to purchase the rice they need to feed their families, there could well be food riots, just as there were in during the rice shortages of 1995 and 2008. And Aquino will return to the Philippine Senate for these emergency powers.



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