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Southeast Asia's Food Security Challenge: More than 'Stock' Solution Needed

By Belinda Chng

Synopsis

Countries in Southeast Asia face a fresh challenge to their food security as food consumption patterns change, and reliance on imports increases to meet such shifts. Consequently, they may be left with no choice but to seek regional or multilateral options to complement their own food strategies.

Commentary

COUNTRIES IN Southeast Asia face a fresh challenge to their food security. As the region becomes more affluent, consumption patterns are changing, with greater demand seen for animal protein and wheat. Given that Southeast Asia imports most of its corn and soybean for animal feed, and its wheat, from North and Latin America, this will increase the region's exposure to supply disruptions and price shocks.

Indonesia, Malaysia and Thailand could be hit the hardest - being, respectively, Southeast Asia's top importers of wheat, corn and soybean. The impact may be exacerbated by an estimated 27 per cent population growth and increasing demand for these key commodities over the next three decades.

National strategies vulnerable

Singapore may feel the reverberating effects in the form of increased prices or a shortage of wheat and livestock, as it imports wheat mostly from North America and Australia, and a large proportion of livestock from Indonesia and Malaysia. Southeast Asia's experience with rice could be instructive in guiding decisions and efforts towards ensuring a sufficient stock of animal feed and wheat.

At present, many countries still focus on national-level strategies. For example, traditional rice-importing countries Indonesia and the Philippines seek to be self-sufficient in rice through a combination of national stockpiling schemes, imports, and domestic production and procurement.

Singapore currently stockpiles a three-month supply of rice by requiring importers to bring in a minimum of 50 tonnes every month and to maintain two months' worth of imports in government warehouses for up to a year. However, such national-level measures can be costly, and are vulnerable to factors such as volatility in the prices of production inputs, availability of land, labour and capital, environmental hazards, trade policies of exporting countries, the import capacity of a country, and even losses from spoilage.

The Philippines made international headlines in 2011 when a local non-governmental organisation reported that 500,000 tonnes of rice were rotting in government warehouses due to poor management. Such issues suggest that alleviating food supply vulnerabilities requires the use of multiple approaches.

Within this context, a regional stockpile becomes attractive, which explains to some extent the creation of the ASEAN Plus Three Emergency Rice Reserve (APTERR). Food reserves are, however, costly and tedious to manage. Studies show that stabilising prices through buffer stocks and trade policies requires rigorous conditions, including sufficient access to finance, and well-timed purchases and sales. When reserves are released in non-emergency situations, it can cause instability in the international markets.

Limits of APTERR

APTERR itself has seen limited success. Contributions from the 10 ASEAN countries make up just 11 per cent of the current reserves, with Japan, China and South Korea making up the balance. Total reserves stand at 787,000 tonnes - less than two days of consumption in Southeast Asia and East Asia. This is despite ASEAN member states being among the world's largest producers, exporters and stockpilers of rice.

This does not mean that food-stock mechanisms are ineffective. Properly crafted, such measures can strengthen a country's resilience to food supply shocks. There is a need, however, to look at what could be done to improve their design.

To begin with, ASEAN could look at how APTERR can be enhanced. Specifically, countries will need to step up their commitment to APTERR, by increasing their rice pledges and providing higher financial support to boost operational capacity. Beyond that, a range of other bilateral, multilateral and regional arrangements that involve partnerships with the private sector could be considered.

Shared management of specific food items could allow countries to hold a lower level of stocks in other items, which could help them manage costs and strengthen access to a wider range of food stocks. Governments could also tap private-sector logistics networks to facilitate rapid and smooth distribution of food stocks.

Where Singapore comes in

As a nation that imports over 90 per cent of its food, Singapore is highly susceptible to supply disruptions and price shocks. Facilitating a multilateral food stock arrangement could provide opportunities to enhance Singapore's food resilience.

For the food reserve strategy to be effective in times of supply shortages, efficient management and rapid distribution are vital. Among other things, this would require strong air and port connectivity, specialised infrastructure such as a sizable refrigerated-container port, short turnaround times for shipments, and straightforward customs procedures – attributes which Singapore possesses.

As a top logistics hub, Singapore has experience working with various parties to optimise and manage the supply chains of companies across Asia. It could leverage on its expertise and technological base to form strategic partnerships with the private sector, particularly global and regional food manufacturers, so as to facilitate the timely sale, purchase and release of unused stocks held by governments into the international food supply chains. By playing its part in introducing more efficient, innovative processes, issues of poor management, spoilage and distortion to international commodities markets may be side-stepped.

Overall, there is still much scope for countries, including Singapore, to pursue regional-level initiatives to improve existing mechanisms, and to explore new ones - both to mitigate the risks inherent in national-level strategies, and to enhance stability of food supply in the region. What is needed now is the will to push this agenda forward.

Belinda Chng is Research Fellow with the Centre for Non-Traditional Security (NTS) Studies at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University. This article first appeared in TODAY.