



NTS ALERT

Paying the Price of Food Insecurity (II)

The NTS Alert on food security (I) dealt with the current state of global food security with an exponential increase in price of basic food commodities and multi-factors that have contributed to this state of event. Climate related disasters, the growth of economies and populations, the production of biofuels, speculation and domestic stock-up are among those factors. This condition has fuelled social unrest in several countries across the globe. Several governments have responded to the extreme rise of price of basic food commodities with a number of reasons.

This edition of the NTS Alert takes a further look at how the rising price of basic food commodities, especially rice, is affecting countries in Asia, how this problem should be addressed, and how the international community is responding to this global food insecurity.

The rising price of food affecting Asia

Among other basic food commodities, the rising price of rice is the most disturbing case for Asia. For many Asian countries, rice has no substitute in many diets. According to Robert Zeigler, the director general of the International Rice Research Institute “rice is not just another commodity, it has a cultural, sociological, and in many places, even religious role, so it carries more psychological weight”. However, the rising price of rice is affecting different Asian countries in different ways.

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Southeast Asia

The Philippines is listed by the US Department of Agriculture as the world’s top importer of milled rice for 2007, ahead of Nigeria, Indonesia, and Bangladesh. Due to their import dependency, the impact of the rising price of rice obviously hits the poor in this country the most. There are 68 million people in the Philippines that live on less than \$2 per day.

Amid the crisis, President Gloria Arroyo has asked authorities to charge rice hoarders with economic sabotage, a crime that carries a life sentence. The government also instructed armed military to guard the distribution of cheap rice to rice distribution stations and poorer areas of the capital Manila. The loss of farmland due to rapid urban development is one of the causes that contributes to the food crisis. Both the government and the



private sector acknowledged that the increasing price of rice was due to lack of supply.

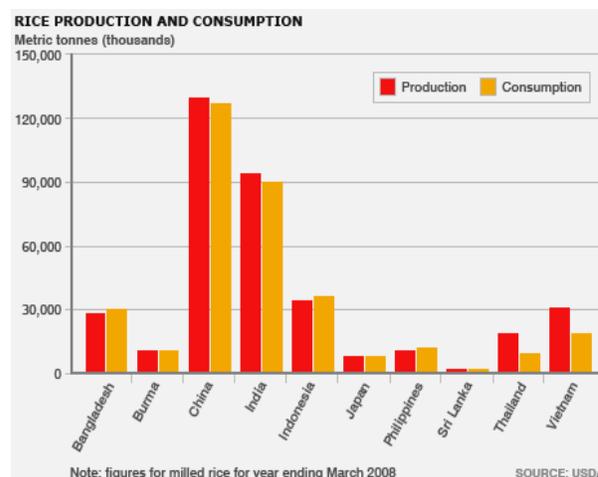
Thailand is the world's largest exporter of rice, well ahead of Vietnam and the US. The government has released some of its 2.1 million tonnes of stockpiled rice in an attempt to contain inflation. Even though there is no issue of rice shortage in Thailand, the spiking price of rice has fuelled domestic social unrest. For instance, in order to take an advantage of the rising price of rice, people stole rice by harvesting the fields during night time. As a result, villagers guard their fields with loaded shotguns.

In Indonesia, despite the fact that protesters took the streets in March due to the spiking price of soy and beef, the current food inflation did not significantly affect the domestic food prices. According to the coordinating minister of economy, "from September 2007 to April 2008, the volatility of domestic price of rice is only 2.7% while the international rate reaches up to 24.1%; for the price of soya, the volatility of domestic prices is up to 0.6% while on the international level it reaches 5.6%." In terms of cooking oil, the comparison of the increase of price between domestic and international is relatively small due to the fact that Indonesia is one of the largest world exporters of Crude Palm Oil, exporting up to 85%.

To protect national stockpile of rice from potential rush by farmers to take advantage of the spiking price, Indonesia imposed a new rice export rules. Only the state logistics procurement agency (BULOG) is allowed to conduct rice trade and it is only when national stockpile is above 3 million tons and the domestic prices are below the government target. The Indonesian trade minister, Marie Pangestu, confirmed that the

government is taking measures to stabilize the price of rice. Government data showed Indonesia's average rice prices fell about 0.5 percent to 5,351 rupiah (\$0.583) per kilogram in the first two weeks of April during rice harvests, putting it sharply below \$925 a ton for Thai 100 percent parboiled rice.

Vietnam is also curbing exports of rice in order to stabilize domestic rice prices. However, this is problematical for other importing countries in the region since Vietnam a significant exporter of rice after Thailand. Whereas, Singapore confirmed that domestic rice stocks are secure and likely to remain that way. Singapore will allow rice importers to bring in more stock to meet increased demand.



South Asia

In South Asia, India is also curbing rice exports as a means to secure domestic supply and to control inflation. The government has announced a total ban on exports of non-basmati rice. India is the second largest rice grower in the world behind China. With rice the staple food for 65% of the country's one billion plus people, much is consumed domestically.

Although the government has declared that there is no food crisis in India at the moment,

the increase in food prices has affected the poor people adversely. Roughly one out of four Indians lives on less than \$1 a day and three out of four earn \$2 or less. In Delhi, milk costs 11% more than last year. Edible oil prices have climbed by 40% over the same period. More crucially, rice prices have risen by 20% and prices of certain lentils by 18%. Rice and lentils comprise the staple diet for many Indians.

Adding to that problem, the International Rice Research Institute says that the sustainability of rice farming in India is threatened by overuse of fertilisers and soil health. Moreover, the Indian government plans to obtain 10 percent of its energy from biofuels by 2017. Biofuel crop cultivation is converting 12 million hectares of agricultural land meant for food production to biofuels, driving food prices up even further. Moreover, the agricultural growth has failed to match the rest of the growth in economy.

The consequences of ethanol production in producing biofuels can also be seen in Pakistan. The production of 250,000 tons of ethanol for export contributed to a 6% reduction in wheat cultivation.

The food crisis has been devastating to Bangladesh as one of major rice importers in the region. The spiking price of rice has left the people of Bangladesh with the worst food shortages since the major famine of 1974. This situation aggravates the existing impoverished situation due to a devastating cyclone and severe flooding twice the last year.

Hundreds of poor families are now surviving on one meal a day, and spending 70-80% of their household budget on food. This had led to some incidents of social unrest. About 20,000 factory workers rioted over high food prices and low wages, in Bangladesh early

April 2008, injuring at least 50 people – most of whom were police officers, despite using batons and firing tear gas to break up the protests.

East Asia

Despite the current food crisis, China has declared that their food supply is secure, although the food prices have risen 21% this year. However, the Chinese government is concerned that a continuing rise in food prices will create a negative impact to overall economic growth.

Even though China is not the top rice exporter in the region, their policy to restrict export in order to secure domestic stockpile and price stability has caused a significant impact to importers in neighbouring countries, especially North Korea. China has been one of North Korea's main food suppliers that sell with very low prices.

In the case of North Korea, the country has always been challenged by the issue of food shortage. The current food crisis may be one of the worst since famine hit North Korea in the 1990s. It is a result of flood damage last year, high commodity prices and political wrangling with major food donor South Korea. Hence, the North Korean government is calling for international aid.

In Japan, food security is seen as politically important and the country keeps a large stockpile of rice. Instead of importing rice, the government heavily subsidises the rice farmers, paying them as much as four times the market price and restricting imports. The farming community defend this policy with considerable political weight. Japan's rice export is relatively small compared to other countries in the region thus has little impact on the international market.





No one solution fits all

“The silent tsunami” is how Josette Sheeran, the head of the UN's World Food Programme called this wave of global food-price inflation. At present, food insecurity does not always mean mass starvation. At present, food insecurity can be measured by misery and malnutrition due to the decrease of purchasing power for basic food commodities by the poor. With the rising cost of food, the poor has to give up meat and vegetable so that they could afford rice. This condition is extended to those who can only afford one meal per day and those who are pushed to starvation.

Since the current states of food insecurity in many places are not like those of the traditional famine, there is not a one-solution-fits all problem. Especially since the short-term solutions to this problem risk making matters worse in the long run. There needs to be a number of broad and creative solutions to address this problem.

For example, food aid is only effective as a short-term measure for severe cases of famine. However, it will eventually damage local markets. In places where the problem is not severe shortage of food but high price of basic food commodities, social protection programmes and trade control policies will only serve to address this problem in the short term. In medium to long term the solution has to be broader. One example is to assist small farmers in the developing countries to produce better, instead of relying on large farmers in the developed countries. This option will be beneficial in terms of the incentive for the small farmers, the increase of food production and also the preservation of the environment. However, this also means that the small farmers have to be able to get financial credit, to have better seeds available, and to afford fertilisers.

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Asia is looking at a long term rice crisis. There is concern that rice production in Asia will not match its growing population, especially with China and India's rapid economic growth.

A more interesting note is that even if Asia manages to secure the region's stockpile of rice, high prices and shortages may still affect the world's poorest countries. As Robert Zeigler, the director general of the International Rice Research Institute said “a lot of people do not realize that Africa's rice depends on Asia's surpluses”. To put things

into perspective, the Philippines that faces the most acute rice shortage in Asia, imports just 15% of its rice, while many countries in sub-saharan Africa import up to 40%. Thus, while Asia is struggling to secure its regional supply of rice, the situation is worse in Africa.

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Response of the international communities

The UN Secretary General, Ban Ki-Moon called for short-term emergency measures in many regions to meet urgent food needs and avoid starvation and longer-term efforts to significantly increase production of food grains. The UN shall lead this process. It will launch a task force in May 2008 to discuss the global food crisis. "It will likely consist of representatives of various UN aid agencies, including the World Food Program and UNICEF, so they can better coordinate their emergency food aid and poverty reduction programs". The task force will also deal with longer-term issues such as enhancing agricultural productivity and land utilization.

In June 2008, The UN will also convene a special meeting on food security in Rome, to discuss the effect of biofuels production to the rising price of food. Ban Ki-Moon also

added that the "international community will also need to take urgent and concerted action in order to avoid the larger political and security implications of this growing crisis."

In the longer term, international aid agencies have called for more money to support agricultural policy in developing countries. The G8 ministers have also called for action to retain food security and plan to incorporate the issue of food security as one of the agendas of the G8 leaders meeting in July 2008. Agencies like Oxfam also want protection for small farmers in developing countries and agricultural marketing boards against the demand of the rich countries that they fully open their markets.

Facts & Figures

- 91% of world's rice produced in Asia in 2007 – and about the same amount is consumed in Asia.
- From March 2007-March 2008, the price of corn has risen 31%, rice 74%, soya 87%, wheat 130%.
- The UN estimates of world population growth as follow: in 1950 the world population was 2.5 billion, in 1975 4.1 billion, in 2000 6.1 billion, in 2025 8 billion, in 2050 9.2 billion.

Source

The cost of food: facts & figures, *BBC News*, 8 April 2008.

Many countries are subsidising the price of food and the Head of World Bank, Robert Zoellick called for more targeted aid to provide food to needy people in poor countries and help for small farmers. He said the World Bank was working to provide money for seeds for planting in the new





season. The UN's World Food Programme needs another \$500-\$750 million to make up the gap in emergency food aid globally. It has been estimated that it will cost an extra \$160 million a year to feed Asia's poorest people.

Dominique Strauss-Kahn, the head of the IMF, expressed that the serious consequences of the rise in food prices is not only humanitarian in nature with regard to the poor people in developing countries, but it will eventually create trade imbalances that will affect developed nations. However, there has not been any substantial agreement on how to solve the issue. The finance ministers and central bank governors who oversee the International Monetary Fund and the World Bank left a weekend meeting in Washington without a definitive response to this global food crisis. The level of concern did not translate into more practical terms of food aid or concrete ideas about how food inflation might be reversed. The IMF failed to agree on a response, beyond a pledge to work with its sister organization, the World Bank, and others in an "integrated response through policy advice and financial support."

Hard-hit countries like Bangladesh have pushed for a special UN programme on Global Food Security at the UN Conference on Trade and Development next week. The Philippines had also called for a ministerial meeting among Asian states to discuss the problem of food security and how to address

the issue in the short and long run. The country is one of the world's largest rice importers in the region.

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