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## IS THE ASEAN PLUS THREE EMERGENCY RICE RESERVE (APTERR) THE ANSWER TO SOUTHEAST ASIA'S FOOD SECURITY CHALLENGES?

By Sally Trethewie

The recently launched ASEAN Plus Three Emergency Rice Reserve (APTERR) aims to safeguard the region's food security in times of calamity, disaster, supply shock or extreme price spike. The region had previously implemented two regional rice reserves, but these had struggled to meet the needs of countries experiencing food emergencies. To what extent has the APTERR addressed the shortcomings inherent in the earlier iterations, and is it likely to fare any better? This NTS Alert also notes that the APTERR continues to approach food security through a rice-focused and state-centric lens, and asks whether this is optimal given the increasing complexity of food production and distribution systems.



*The ASEAN Plus Three Emergency Rice Reserve (APTERR) is designed to provide multilateral assistance during food emergencies.*

*Credit: Rebecca Selah / flickr.*

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### Introduction

Following decades of experience with regional emergency rice reserves, an 'improved' model – the ASEAN Plus Three Emergency Rice Reserve (APTERR) – came into force in July 2012. The primary objective of the APTERR is to ensure the availability and accessibility of rice during a regional food emergency, be it a supply shock, natural disaster or price spike. It has also been suggested that the scheme will go some way towards stabilising rice prices and encouraging cooperation in the somewhat divided and politicised rice sector.

This NTS Alert introduces the APTERR scheme and analyses its potential to improve the food security of ASEAN member states in the face of the projected increase in frequency and severity of shocks to the region's food systems due to high and unstable food prices, and supply threats resulting from environmental challenges and natural disasters.

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It examines whether the APTERR can avoid the limitations of past rice reserves, including low stocks and inefficient supply processes. Also, given that global food security dynamics are changing, this NTS Alert discusses whether a rice reserve that is public-sector driven and rice-focused is the right tool for the 21st century.

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## What is the APTERR?

The APTERR has multiple objectives: making rice available during emergencies, stabilising the price of rice and improving farmers' income and welfare.<sup>1</sup> The scheme ultimately aims to improve food security without distorting the international rice market. The motivation for the APTERR was the 2007–2008 food price crisis, which caused great uncertainty in the regional rice market and led to export bans and extreme import orders.

Under the APTERR, rice will be made available through a three-tier system involving: (1) special commercial contracts; (2) emergency grants and loans; and (3) delivery of donated rice in times of acute emergency (see Box 1 for more on this).<sup>2</sup>

The APTERR scheme involves physical as well as earmarked reserves totalling 787,000 tons. To put this in perspective, Southeast Asia and East Asia combined consume 542,000 tons per day.<sup>3</sup> Earmarked pledges form the major part of the APTERR. China has pledged to earmark 300,000 tons of rice, South Korea 250,000 and Japan 150,000; with ASEAN member countries pledging a collective total of 87,000 tons initially.

Member countries will be responsible for maintaining the reserves, and in many cases, the stock will come from existing national rice reserves. They will also be responsible for funding costs of procurement, storage management and, if they are a recipient of rice under Tier One or Tier Two, distribution. Countries with rice production surplus as well as those in deficit will be involved, with commitments with regard to physical stocks (for Tier Three, that is, times of acute emergency) to be on a voluntary basis.

The Thailand-based APTERR Secretariat will undertake a number of support roles, including the analysis of supply and demand data in member countries; review and assessment of the degree of the emergencies; and the matching of two member countries for the sale of earmarked reserves. The APTERR Secretariat has worked with the Asian Development Bank (ADB) to develop guidelines and standard operating procedures for stakeholders.

### Box 1: ASEAN Plus Three Emergency Rice Reserve (APTERR) – The three-tier system.

The APTERR operates a three-tier system to meet emergency demand for rice. Below are some of the main features of the various tiers.

#### *Tier One: Specialised commercial contracts*

This tier provides for the release of earmarked APTERR reserves through specialised commercial contracts between supplying and receiving countries. These contracts are different from government-to-government rice deals in that they include features such as multilateral decision-making, emergency triggers and the sourcing of stocks from emergency reserves.<sup>a</sup>

#### *Tier Two: Long-term loan agreements or grants*

This tier provides for the release of earmarked APTERR reserves under long-term loan agreements or grants between supplying and receiving countries. It is similar to Tier One but there is no prearranged delivery scheme, and is voluntary. Both Tier One and Tier Two will use market-based pricing on a cash basis but the specific process for determining a price has yet to be decided.

#### *Tier Three: Release of physical stocks*

This tier provides for the release of physical APTERR reserves to meet acute and emergency need for food aid. Stocks will be released when a recipient country makes a request or via an automatic trigger system managed by the APTERR Secretariat. Recipient countries will be responsible for the distribution of the rice, though they could do this with the assistance of relief organisations.

<sup>a</sup> Source: Roehlano M. Briones et al., 'Climate change and price volatility: Can we count on the ASEAN Plus Three Emergency Rice Reserve?' (ADB Sustainable Development Working Paper Series 24, Manila: Asian Development Bank (ADB), 2012), <http://www.adb.org/publications/climate-change-and-price-volatility-can-we-count-asean-plus-three-emergency-rice-reserve>.

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## Learning from past experience

As mentioned in the introduction, the APTERR is not the first emergency rice reserve to be established by ASEAN member states.<sup>4</sup> The ASEAN Emergency Rice Reserve (AERR) was launched in 1979 in recognition of the need for regional solutions to food insecurity. Member countries voluntarily contributed stocks to a regional stockpile. However, after 25 years of operation, AERR commitments totalled only 87,000 tons – just half a day's supply for the whole of ASEAN.

The plan to revive the AERR and broaden membership to the Plus Three countries first came about in 2001. A team supported by Japan proposed and then implemented a three-year pilot project – the East Asia Emergency Rice Reserve (EAERR). The EAERR was subsequently extended and adopted under the Strategic Plan of Action on Food Security in the ASEAN Region (2004–2010), with Japan contributing USD4.5 million as the sole funder. These schemes had significant shortcomings.

When the AERR was introduced, officials were wary of the possibility of distortions to the regular rice trade. They were worried that countries would attempt to make up shortfalls in supply through accessing emergency rice reserves rather than through normal import processes. This led to the stipulation that the reserve was to be made available only during emergencies and that all stocks for the AERR were to be earmarked from national reserves only. Therefore, there was to be no physical rice reserves. Countries evidently took a cautious approach to their AERR commitments during these initial years of rice reserves and this resulted in low volumes pledged. In addition, the AERR's request and delivery process was inefficient. Furthermore, it was likely that countries, wishing to avoid panic and prevent embarrassment, were unwilling to admit to an emergency situation. The fact that the AERR was never utilised in its decades of operation, despite various food emergencies in the region during that period, is indicative of its shortcomings.

Efforts were made at the launch of the EAERR pilot emergency rice reserve to review past issues and implement an improved model. There was a shift in mindset between the AERR and EAERR: the earlier scheme had focused on food security as the key to political stability, whereas the latter prioritised a shift towards the liberalisation of agricultural trade.<sup>5</sup> However, despite a broadening of the interpretation of an emergency and the addition of some physical stocks, the EAERR did not fare much better than the AERR in terms of its utilisation.

The 2007–2008 food price crisis led a renewed focus on food security within ASEAN, and emergency rice reserves were specified as one of the four components of the 2009 ASEAN Integrated Food Security (AIFS) Framework. The proposal to move beyond a pilot rice reserve gave impetus to several pre-APTERR studies and working groups. These analysed the experiences of the AERR and the EAERR in order to shape the new scheme. Japan was once again a keen supporter, and together with Thailand helped to drive momentum in the early stages of designing the APTERR. Following a development period in 2010, the APTERR was agreed to by ASEAN Plus Three member countries in late 2011 and came into force in 2012.

Two releases of stockpiled rice have taken place under Tier Three since the soft implementation of the APTERR in 2010. Thailand donated 520 metric tons of rice to the Philippines through the APTERR Secretariat for those affected by Typhoon Ketsana, Typhoon Megi, La Nina and flash floods; and Japan donated 347 metric tons to Lao PDR for the victims of Typhoon Ketsana.<sup>6</sup> Tier One and Tier Two programmes have not yet been utilised.

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*Given the sensitivities of the rice sector, not much information is publicly available on national reserves in Asia. This contributes to uncertainty about the availability of rice, which may be somewhat alleviated over time once the APTERR is operating.*

*Credit: IRRI Images / flickr.*

## Assessing the APTERR's design

There have been criticisms that the APTERR is nation-, production-, supply-, public sector- and rice-centric, and that it is the product of a mindset decades behind in terms of the demands of modern global food security.<sup>7</sup> While the dynamics of food security have changed, with food supply and distribution systems becoming more complex, the APTERR still reflects the relatively opaque, nationalistic nature of the rice sector in Southeast Asia. Arguably, though, any multilateral mechanism that does not take as a starting point such realities in the Southeast Asian rice sector would not gain significant political traction in the region.

The role of rice in Southeast Asia is changing. While it remains a staple for poor and rural populations, the diets of wealthy and urbanised populations are diversifying. However, rice continues to play a crucial role for the region's food security and livelihoods and therefore the

APTERR's focus on rice remains appropriate as a platform for cooperation. Furthermore, there is some evidence that the relatively insular nature of Southeast Asia's rice sector may have some benefits. Research suggests that the protection-oriented trade responses seen in Southeast Asia's rice markets during and after the 2007–2008 global food price crisis may have made some countries in the region less vulnerable to rising international prices; other regions, with their greater reliance on staple grains with more global markets, were more vulnerable.<sup>8</sup> However, such protective trade responses did little to ease long-standing mistrust in the region's rice sector. That mistrust could hinder efforts to address food insecurity, particularly with a degree of instability still shadowing the trade of rice. Thus, it is hoped that the increase in cooperation under the APTERR could go some way towards alleviating this.

All things considered, while it would be ideal to move directly towards a multilateral approach that addresses the emerging dynamics of food security beyond rice and the public sector, the APTERR does make a significant contribution as a vehicle for cooperation in the rice sector, which is an essential foundation for building Southeast Asia's food security.

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## Implementation issues

Before considering what might result or be built from the APTERR, some implementation issues remain. It has been noted that the APTERR is 'strong on the principles of cooperation, but short on specifics'.<sup>9</sup> Past emergency rice reserves have had limited success due to several key constraints, in particular, difficulties in coordinating between member states' own often opaque stockpiling programmes and the division of costs between countries at varying levels of economic development.<sup>10</sup>

The APTERR agreement has been signed but a number of operational, administrative and technical issues remain outstanding. For example, the establishment of terms, prices and conditions – which have potentially significant implications – have been tasked to the APTERR Secretariat to resolve without substantial input or guidance. Also, it is not clear how transparent this process will be. Financial sustainability, including the challenge of balancing food security with the cost of storage, is another crucial factor. Member countries will need to provide strong financial support to the APTERR for it to operate successfully. Institutional issues could be the most cumbersome to overcome. Achieving complementary laws and policies regarding rice reserves and trade would not be easy, and the diverse capacity of different countries to implement their APTERR responsibilities could prove to be a challenge.

In addition, despite the relatively large increase in pledges (from levels seen in previous reserves), APTERR commitments are seemingly not sufficient at present to contain a domestic crisis in larger countries. A study by the ADB found that the current volume of earmarked rice reserves at 787,000 tons would have limited success in mitigating the price impact of two calamity scenarios – one in China, the other in Indonesia.<sup>11</sup> In China, offloading the entire Plus Three reserves of 700,000 tons would offset rising monthly domestic rice prices by just 7 per cent. In Indonesia, the release of APTERR reserves would offset domestic rice prices by 10.5 per cent per month, minimal given the projected annual rice price increase of 31.5 per cent.

To be effective, therefore, the APTERR needs for member countries to increase their earmarked commitments. Seeing as Plus Three countries are currently by far the largest contributors to the earmarked reserves, major ASEAN rice producers and those with significant reserves have room to increase their pledges by several hundred thousand tons; and in fact, the Philippines has pledged to increase its commitment once it reaches planned increases in production. There may also be scope for wealthier countries in ASEAN to provide more funds to support the financial sustainability of the mechanism. However, it is likely that countries will be cautious about the prospect of increasing their pledges and re-evaluating their commitments until the APTERR has been utilised at least once successfully.



*Although diets in urban Southeast Asia are diversifying, rice remains a staple for the region. Therefore, a multilateral food security mechanism which focuses on rice remains a relevant policy approach.*

*Credit: Alpha / flickr.*

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## Conclusion

All in all, the APTERR reflects the prevalent approach to food security in ASEAN and its goal of gradually building greater cooperation in the rice sector. It is therefore a potentially useful mechanism and could be seen as one tool in a multidimensional approach to addressing the lack of trust in the rice sector. It is essential then that ASEAN Plus Three continues to draw on lessons from the successes and shortcomings of past emergency rice reserves in order to realise the APTERR's full potential, and motivate members to considerably build on their commitments. At the same time, however, it needs to be conscious of the need to adapt to emerging food security challenges. It would seem that this is in line with the food security goals of ASEAN Plus Three leaders. In a statement of support for the APTERR agreement in November 2012 as a 'permanent mechanism to ensure sustainable and integrated food security in the region',<sup>12</sup> the leaders tasked their ministers with exploring the possibility of establishing mechanisms for food types other than rice. Implementation of the APTERR will be a significant undertaking but will be achievable with political will, financial backing, a mindset geared towards adaptation and sound technical support.

## Notes

1. Apichart Jongskul, 'Current operations of ASEAN Plus Three Emergency Rice Reserve (APTERR)' (presentation delivered at the APEC Food Emergency Response Mechanism Working Meeting, Taipei, 10–11 April 2012), <http://apecsf.tier.org.tw/docs.asp>.
2. 'How APTERR works?', *ASEAN Plus Three Emergency Rice Reserve*, last updated 6 October 2010, <http://www.apterr.org/index.php/how-apterr-works>.
3. US Department of Agriculture, 'Grain: World markets and trade' (Foreign Agricultural Service Circular Series FG 01-13, January 2013), <http://www.fas.usda.gov/psdonline/circulars/grain.pdf>.
4. This section draws on Roehlano M. Briones, 'Regional cooperation for food security: The case of emergency rice reserves in the ASEAN Plus Three' (ADB Sustainable Development Working Paper Series 18, Manila: Asian Development Bank (ADB), 2011), <http://www.adb.org/sites/default/files/adb-wp18-regional-cooperation-food-security.pdf>; Roehlano M. Briones et al., 'Climate change and price volatility: Can we count on the ASEAN Plus Three Emergency Rice Reserve?' (ADB Sustainable Development Working Paper Series 24, Manila: Asian Development Bank (ADB), 2012), <http://www.adb.org/publications/climate-change-and-price-volatility-can-we-count-asean-plus-three-emergency-rice-reserve>; and Elenita Dano and Elpidio Peria, 'Emergency or expediency? A study of emergency rice reserve schemes in Asia' (Asian Farmers Association for Sustainable Rural Development (AFA) and Asian Partnership for the Development of Human Resources in Rural Asia (AsiaDHRRA), 2008; Pro-Small Farmer Trade, 2006), citation refers to the 2008 edition, <http://asiadhrra.org/wordpress/wp-content/uploads/2008/05/rice%20reserve%20scheme.pdf>.
5. This is particularly evident in the shift from the bilateral process seen in the ASEAN Emergency Rice Reserve (AERR) to the paradigm of regional trade and cooperation underpinning the East Asia Emergency Rice Reserve (EAERR). See: Dano and Peria, 'Emergency or expediency?'.
6. Jongskul, 'Current operations of ASEAN Plus Three Emergency Rice Reserve (APTERR)'.
7. Larry Wong, 'Rethinking ASEAN food security: ASEAN Plus Three Emergency Rice Reserve (APTERR) and other considerations' (paper prepared for the *ASEAN Newsletter of the Ministry of Foreign Affairs and Trade, Republic of Korea*, March 2012), [http://www.isis.org.my/attachments/1108\\_LW\\_ASEAN\\_Newsletter\\_Mar2012.pdf](http://www.isis.org.my/attachments/1108_LW_ASEAN_Newsletter_Mar2012.pdf).
8. Food and Agriculture Organization of the UN (FAO), 2012, *The state of food insecurity in the world 2012* (Rome: FAO), <http://www.fao.org/publications/sofi/en/>.
9. Briones, 'Regional cooperation for food security'.
10. Jo Cadilhon, 'The East Asia Emergency Rice Reserve: Gradually building a tool to regulate the rice market in East Asia', *momagri (movement for a world agricultural organization)*, 10 October 2011, [http://www.momagri.org/UK/focus-on-issues/The-East-Asia-Emergency-Rice-Reserve-Gradually-building-a-tool-to-regulate-the-rice-market-in-East-Asia\\_990.html](http://www.momagri.org/UK/focus-on-issues/The-East-Asia-Emergency-Rice-Reserve-Gradually-building-a-tool-to-regulate-the-rice-market-in-East-Asia_990.html).
11. Briones et al., 'Climate change and price volatility'.
12. 'Full text of the ASEAN+3 Leaders' joint statement on 15-year ASEAN+3 cooperation (part 1)', *China.org.cn*, 20 November 2012, [http://www.china.org.cn/world/Off\\_the\\_Wire/2012-11/20/content\\_27163754.htm](http://www.china.org.cn/world/Off_the_Wire/2012-11/20/content_27163754.htm).

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