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Global Health Security

COVID-19: Health Pandemic to Food Crisis?

By Jose ML Montesclaros

SYNOPSIS

While engaging in hoarding behaviour at the national level may seem like a strategic move in response to household hoarding amid disruptions in trade, doing so can potentially trigger a repeat of the 2007-08 food crisis.

COMMENTARY

HOARDING BEHAVIOUR by households has already led to instances where supermarket shelves were cleared in [many countries](#). Countries have also experienced disturbances in food imports/exports weeks after locking down. In China, quarantine measures led to understaffing and a [collapse](#) in its trucking networks, with frozen meat piling up at its ports, and [overcapacity](#) in its docks, while in Australia, the grounding of aviation has [held-up](#) food exports to Singapore and Hong Kong.

It may seem logical for national governments to now panic and consider hoarding or stocking up on food, by importing more food from overseas, or restricting exports. Historical experience, however, shows that this should be the last thing they do. In a recent [interview](#), UN Food and Agriculture Organisation (FAO) Senior Economist Abdolreza Abbassian warned that if *national governments themselves* engaged in hoarding and panic-buying, this can potentially trigger an international food crisis.

Hoarding Triggered 2007-08 Food Crisis

Hoarding and panic-buying at the national government level triggered the 2007-08 food crisis, where [100-200 million people](#) were pushed below the poverty line because food became too expensive. This led to '[food riots](#)' in over 60 countries globally.

The food crisis began with an innocent [weather disruption](#), a drought hitting India in late 2006. As grains in India's storehouses were not being replenished as fast as they were being purchased, India had to resort to importing additional grains.

Because imported rice was more costly, India, the world's second largest exporter then, felt it could simply tap into its exports of rice, and let other countries source their rice elsewhere.

Thus, the first manifestation of hoarding was when India imposed restrictions on grain exports, to use domestically produced grains. Unwittingly, this triggered a series of further hoarding incidents, with world rice prices peaking at more than [triple](#) the pre-crisis levels by May 2008.

Dangers of Speculation

Despite having enough food to meet global consumption, the world trade system can still fall into crisis as it is easily perturbed by speculation among countries and traders. Fearing India's export restrictions would cause rice prices to increase, and given uncertainty about India's vulnerability to further droughts, the Philippines decided to engage in strategic buying behaviour, the second manifestation of hoarding.

As Asia's largest importer of rice then, the risk of further price increases would have had a significant impact on the Philippines' total import bill, making rice more expensive for its consumers.

It thus issued tenders to buy rice at US\$700 and USD\$1,200 per tonne in March and April 2007, very high compared to the previous world average of US\$335 per tonne. It did not mind paying for rice [above market prices](#) then, as it feared prices could increase further once other countries started to catch on to its motives.

If the Philippines was desperately buying rice at such prices, thought Thailand and Vietnam, the largest and third largest exporters, then other countries might follow suit. This would allow their traders to at least triple their profits! Adding fuel to the fire, the governments of Thailand and Vietnam [encouraged their traders](#) to hold onto their grains until after prices rose further. This third major hoarding incident caused prices to spiral further.

Delicate Situation Today

Compared to the 2007-08 crisis, the situation today is significantly worse. First, household-level hoarding, clearing of supermarkets and transport disruptions can themselves be reasons for state-level hoarding.

Yet, this may only be the tip of the iceberg. The world is also facing devastating production disruptions at the scale of national emergencies. Last February, Pakistan

declared a [national emergency](#) not over COVID-19, but rather, its worst locust swarm in nearly [30 years](#); [Somalia](#) has done the same.

Thailand also suffered its [worst drought in 40 years](#), with an anticipated 30% drop in sugar output. In March, the FAO's Sugar Price Index reached its [highest level](#) since May 2017. Additionally, slowdowns in animal feed deliveries are causing uncertainties in the future stable supply of pork, with China's pork prices more than [doubling](#) in January.

Food prices in recent months have already reached their [highest levels in five years](#), based on the FAO's Food Price Index, partly owing to extended effects of earlier [disruptions](#): the Fall Armyworm plague infecting half of China's provinces; bushfires clearing farmlands in Australia; and the African Swine Fever in nine Asian countries.

Resist Temptation to Hoard

As the COVID-19 pandemic has already triggered an economic crisis, it may yet spill-over into an international food crisis if countries engaged in hoarding. The temptation to do so may be too strong to resist, though (e.g. Vietnam's recent [export restrictions](#)).

First, if countries think like Thailand and Vietnam in 2007-08, hoarding allows for extra income, especially during the lockdown period. Amid disruptions and ongoing food price inflation, this allows for a bigger cut in global agricultural trade, worth [US\\$1.5 trillion](#).

Next, if countries think like India and the Philippines, hoarding allows for securing cheaper food for economically disadvantaged consumers, before prices rise further. Legislators may support this too, given upcoming elections seasons across [multiple countries](#) and already [volatile](#) political environments.

What the world doesn't need now is another crisis, which can be triggered by such actions. If this causes riots as it did then, countries may yet lose their ability to enforce lockdowns.

Smarter Approach

A smarter approach is to ensure that the 'essential service' of food production, trade and marketing are not disrupted by the crisis. Malaysia's [lockdown order](#) has special measures to ensure sufficient workers so that these activities are [uninterrupted](#); Australia is spending to [charter flights](#) to resume food exports; and South Korea is launching [online campaigns](#) to help farmers sell their produce.

States can also temporarily redirect funding from sectors unlikely to function at this time (e.g. tourism) to boost the production of essential commodities.

China's [Agriculture Ministry](#) is enriching crop/vegetable varieties, upping production standards, supporting timely harvesting of food, and strengthening supervision over food safety and quality. It's time for countries to engage a smarter approach.

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