

THE RICE CRISIS in the PHILIPPINES

Jomar H. Mendoza

ABSTRACT

The Philippines is experiencing an unusual problem – high price of rice. Unusual because the Philippines is an agricultural country endowed with plenty of natural resources, yet it is now the world's largest importer of rice. What happened? Why are we experiencing this problem? Will rice depart from Filipino tables?

The world still grows plenty of rice but the crisis is caused by several factors. In the Philippines, the government assures that there is enough supply for every Filipino. This, of course, is in the form of imported rice as rice production in the country is not enough to feed the entire population.

The Philippines has been importing rice since the Spanish period. This continued through the American regime, and still continues until today. The long queues of people buying rice are not new. The same scenario happened in the 1930s, 1970s and in the middle of 1990s brought about by weather disaster, mismanagement and corruption. At present, the crisis is also brought about by abandonment, conversion and reclassification of lands. Whatever the reasons for such, one thing is certain – the use of land for rice is diminishing.

Several measures are being undertaken by the government to solve the alarming crisis. However, real, thorough and long-lasting solutions must be the goal, not just the government, but for all Filipinos to solve this crisis.

The Philippines is experiencing an unusual problem – high price of rice. Unusual because the Philippines is an agricultural country endowed with plenty of natural resources yet it is now the world's largest importer of rice. What happened? Why are we experiencing this problem? Will rice depart

from Filipino tables?

According to the U.S. Department of Agriculture, the world still grows plenty of rice, especially in Asia. In fact, Asia is home of many of the world's top rice suppliers which accounts for three-fourths of the rice being exported each year. Top on the list is Thailand, which produces 31 percent of the global market, exported 9.4 million tons of rice out of a total 20 million tons produced in 2007. This is followed by Vietnam which accounts for about 20 percent of the global market; India exported about 4 million tons of rice last year, making it the world's third-largest exporter; Pakistan exported 3.3 million tons, making it the fifth-largest exporter just behind the United States; China, on the other hand, exported 1.4 million tons of rice last year. It is the world's largest producer and consumer of rice, with annual supplies large enough to feed its population. Cambodia produced 3.6 million tons of rice last year, according to official estimates. Two million tons are needed for domestic consumption, leaving Cambodia with about 1.6 million tons in surplus. Last year it exported 450,000 tons of rice (Ritter, 2008).

Experts say that it is not only a problem with rice but an alarming global food crisis. There are several factors contributing to these: crude oil prices remain over the \$100 mark, driving up costs of production and transport; severe weather has affected crops of some key agricultural exporters like Australia and Vietnam; rising incomes in India and China have increased the demand for rice and especially meat, thus land is being used not to plant food but for cattle pastures and cattle feed; the diversion of huge chunk of America's corn crop to ethanol production, which boosted the demand of rice in the US; and, last but not least, environmental concerns have spurred many countries to subsidize biofuel production, which again diverted land use from growing cereals. Huge lands are now being converted to grow grain for gas, while a portion of existing yields is being diverted into refineries (Bowring, 2008; McCartan, 2008; Ritter, 2008).

In the Philippines, President Gloria Macapagal-Arroyo said that many are worried because there is a rice shortage around the world and that the country will have a rice shortage. However, the government assured that there is no rice shortage, only price increase. The price of rice would increase a bit but there would be no shortage. The supply is continuous. To make her point that the country's rice supply was adequate, she brought with her a National Food Authority (NFA) truck loaded with rice when she inaugurated the opening of the

trial run of the Subic-Clark-Tarlac Expressway in March of this year, signaling that the supply chain of rice can meet the demand of the Filipinos (Belcher, 2008; Cruz, 2008; Orejas, 2008).

According to the article "Food Security and Rice" by Dr. Onofre Corpuz, (1997) the shortages in rice production should not be described as "crisis" as the country has been importing rice since the 1870s. When Spain decided to open Philippine ports to world trade in 1835, this prompted the Philippines to trade non-rice products to other countries. The demand for sugarcane, molasses, indigo, abaca, tobacco and coffee at that time was very high, thus rice farmers began to plant these products. As a result, there was already a rice shortage in the country in the 1870s. The Philippines began importing rice from Indochina (present day Laos, Cambodia and Vietnam). During the 1890s, the Philippines was importing 45,000 tons of rice annually.

There were several reasons for the rice shortage in the country during the Spanish era. According to Corpuz, farmers used primitive rice production, from land preparation to harvesting; feudal system since the Spanish conquest, hence families who owned small plots did not enjoy property rights; a religious culture that meant 100-120 days a year of "enforced idleness," since work was prohibited during Sundays, town fiestas and church holidays; and farmers or sharecroppers in haciendas (plantations) tilled small parcels of land yielding low output, thus preventing any savings.

After the 1896 Revolution and the Philippine-American War, rice production was very low. Many lands had been left vacant. Many farmers died during the war and the number of carabaos was reduced.

Economic measures were instituted by the U.S. civilian government to solve the low rice output in the country. The government fixed prices, bought foreign rice and undertook the distribution of rice down to the barrio, or district, level. From 1901 to 1936, the colonial government bought 335.5 million pesos worth of rice.

Corpuz summed up the official policy of the U.S. government on agriculture: Producing the export crops offered better returns than producing the country's rice requirements domestically; therefore, the export crop sector must be promoted, and, in the event of rice shortages, foreign rice was to be imported at as cheap prices as possible. Importation was seen then as a very

viable solution to the rice shortage in the country, which until now is being practiced by the government.

At present, the price of rice in the country increased for about 40 percent. A kilo of commercial rice is now ranging from P34 to P42 where six months ago, the same rice amounted only from P24 to P28 a kilo.

Rice is the staple food of Filipinos. It is more than just food. It is eaten three times a day and sometimes by itself. It is one item that should always be seen on dining tables. Filipino families spend almost half of their budget on food. As what Robert Zeigler, director of International Rice Research Institute in Manila says, "If one can't find pork in the local market, one can always buy chicken. But rice has no substitute." Indeed, Filipinos can't find any substitute for rice, not even *kamote* or corn. As a result, Filipinos, especially the poor, queued in long lines to be able get a kilo or two of government-subsidized NFA rice, which costs P18.25 a kilo.

The long lines of people queuing for rice were not the first time though in the country's history. According to the Philippine Institute of Development Studies, the same scenario happened in the 1930s, where poor harvest caused by bad weather during 1934–1936 reduced production by 20% and raised rice prices by 25% in 1935 and 27% in 1936. Thus, the government had to import rice in 1935.

On the other hand, the long lines in the 70s happened after poor weather, pest infestation of rice paddies, and flooding in Central Luzon reduced local rice output to 17 percent, prompting then President Ferdinand Marcos to create in 1972 the National Food Authority (NFA) through Presidential Decree No. 4.

To address the crisis, the government increased rice importation in 1972 to 455,000 tons from 10 tons in 1968. Heavy importation continued from 1973 to 1975, until it decreased to 55,000 tons in 1976, 30,000 tons in 1977, and finally to a no-import year in 1978. (Sabangan, 2008; PIDS, 2008).

In 1995, hundreds of people also queued for imported rice sold at government-subsidized prices. Each person was allowed to buy only up to three kilos of the staple at *Bigasang Bayan* outlets. Commercial rice cost between P21 to

28 per kilogram. The NFA sold the staple for P10.25 per kg.

AsiaWeek, in its September 1, 1995 edition, reported that Filipinos were treated to a sight not seen in three decades: people queuing to buy imported rice at government-controlled price. Poor Filipinos lined up for an hour to buy three kilos of rice, the maximum allowed for each buyer, as the price of NFA rice was almost half of what private sellers were charging. The scene is different in other parts of the country. In Bacolod City, some people queued up for two days to buy cheap rice. One woman even suffered a miscarriage because of the long wait (PIDS, 2008).

The food crisis in 1995 emanated from poor government planning. Amid the rising prices of commercial rice, then Agriculture Secretary Roberto Sebastian recommended to President Fidel Ramos that the country should import only 263,000 metric tons of rice (MT) as against the NFA's recommendation of procuring 700,000 MT of rice.

The Ramos government blamed the NFA for its failure to guarantee adequate supply of rice. But then NFA administrator Romeo David argued that the NFA could not compete with traders and private millers who offered higher prices to farmers – the reason why the agency was not able to buy enough rice supplies.

After the “miscalculated” import, the Ramos administration, like the Marcos administration, dealt the crisis through a series of heavy importation from the global market, which at the time still had a plethora of supplies. Thus, from a mere 207 MT of rice imports in 1994, importation climbed to 849,000 in MT in 1996, 722,000 MT in 1997, and finally 2.17 million MT in 1998. (Sabangan, 2008; PIDS, 2008)

NFA Rice Importation (2003 – 2007)

YEAR	SOURCE	VOLUME (MT)	TOTAL
2008			2.1 million MT (assessed requirement)
2007			1.85 million MT
2006	Vietnam	1,375,525.40	
	Thailand	123,950.00	
	Pakistan	32,550.00	
	China	24,880.00	
	USA	65,185.00	
			1,622,090.40 MT
2005	Vietnam	1,667,116.00	
	Thailand	64,5000.00	
	Pakistan	15,000.00	
	USA	58,167.95	
			1,804,783.95 MT
2004	Vietnam	669,900.00	
	Thailand	196,357.65	
	USA	117,817.00	
			984,074.65 MT
2003	Vietnam	287,375.00	
	Thailand	359,489.00	
	USA	50,972.40	
			697,836.40 MT

Source: National Food Authority

According to the book 'Why Does the Philippines Import Rice?' (2006), published by Philippine Rice Research Institute (PhilRice) and the International Rice Research Institute (IRRI), the failure to achieve rice self-sufficiency is due to the Philippines' geography and booming population.

The country is an archipelago without any major river deltas like those in Thailand and Vietnam, which are net rice exporters. Exporters like Thailand, Vietnam, Cambodia, and Myanmar are located on the mainland Southeast Asia. On the other hand, the Philippines, Indonesia, Sri Lanka, Japan, Korea and Malaysia are importing rice, as these are all islands or narrow peninsulas.

Also, the area being harvested for agriculture shows great divergence. The area harvested in the Philippines, 4.07 million hectares, is relatively small compared to Thailand's 10.2 million hectares and Vietnam's 7.32 million hectares.

However, despite such geographical limitations, the Philippines still achieved self-sufficiency in the late 1970s and, albeit small, exported rice in the early 1980s. The Green Revolution prompted by irrigation, enhanced varieties of rice, and new fertilizers were able to overcome the natural disadvantage in land endowment.

In March of this year, the Bureau of Agricultural Statistics reported that the country's rice stocks are only good for two months, thus there is a need to import from Thailand and Vietnam. Rice production in the Philippines is expected to reach 17 million MT this year, from 16.24 million MT in 2007, but the increase in output is not enough to keep pace with rapid population growth. Despite the country's high produce of rice, this is not enough to meet the demands of its growing population as three babies are born every minute.

The country's population is growing at a faster rate of over 2 percent per annum. It was 85.2 millions in 2005, 86.2 millions in 2006, 88.7 millions in 2007, and is projected to rise to 90.4 millions at the end of 2008. An increase of one million in population requires an additional 118,000 MT of milled rice. Hence, the Philippines would have to import rice, this according to PhilRice Executive Director Leocadio S. Sebastian.

Another reason why rice production could not keep pace with the rapid

population growth is the conversion of agricultural lands. Many farms in the rice-growing region in Central and Southern Luzon are being converted into residential subdivisions, memorial parks, factory sites, golf courses and shopping malls.

Farmers sell their lands to wealthy businessmen for easy money. It is a common site now to see a shopping mall standing in a land where rice and other food products were used to be planted. On the other hand, because of the flourishing business of memorial parks, farmlands are being converted into posh burial grounds.

In a TV documentary entitled 'Kulang na ang Salop' a farmer in Nueva Ecija, instead of *palay*, opted to plant Bermuda grass in his farm as it generates more income. Some farmers are shifting to other cash crops because there is little profit in rice farming. Cost of fertilizer is too high and market prices are too low, leaving them with very minimal, or no profit at all (Davila, 2008).

Another farmer sold his land because his children did not want to till the land. His children, being educated, instead of farming, chose to work abroad and in the city to earn more income leaving their lands fallow. In Ifugao, where the famous rice terraces are located, many farmers have abandoned farming for more lucrative trades. Many tribal farmers now pose for tourists' pictures in multi-colored loincloth and plumed headdress with the postcard-perfect Ifugao rice terraces as a scenic backdrop. Instead of cultivating their lands, they use the money they received from tourists to buy cheap rice distributed by the government (Mogato, 2008).

In an interview with Raymond Bahatan, head of Ifugao's agriculture office, by Manny Mogato of Reuters, local rice supplies have never been enough in the province because farmers traditionally harvest only once a year. Farmers in the plains produced two to three crops each year, allowing them to sell excess produce in the local market.

Another concern is that the rice terraces are declining at an alarming rate. About 25-30 percent are vanished due to neglect, abandonment and other uses. Some farmers were shifting from rice to higher value crops, such as vegetables, tubers and coffee, but many have abandoned their farms to find

work in big cities. Lodging houses, food and other retail shops have also encroached the farmlands.

On the other hand, the land reform program of the government has not achieved its goal of distributing agricultural lands to the farmers. This caused plenty of trouble, which even reached the Supreme Court because landowners tried to reclassify their agricultural lands into agro-industrial lands. Whatever the reasons for abandonment, conversion or reclassification of land, it only means one thing - the use of land for rice is slowly vanishing.

With the rapid price increase, President Gloria Macapagal-Arroyo secured a commitment from Vietnam to supply rice to the Philippines, a move that is seen to assure enough rice supply for the country and to keep the price of rice down, if not stable. This is viewed as a quick step as some rice-exporting countries have implemented bans and restrictions on rice exports (Aguilar, 2008).

Several measures are being undertaken by the Philippine government to address the issue of the high price of rice. Department of Agriculture (DA) Secretary Arthur Yap ordered an investigation of the reported anomaly in the diversion of NFA rice stocks to rice traders. According to news reports, some high officials of NFA sell the government rice stocks to businessmen who, in turn, mill and mix with other rice stocks for higher sales value.

This prompted government officials to raid rice warehouses in Manila and nearby provinces where unscrupulous traders have been repackaging government-subsidized rice intended for poor areas and reselling it as high-grade commercial rice at twice the price (Head, 2008; Rodriguez, 2008; Roque, 2008).

When the President learned of the report, she immediately ordered the filing of criminal charges to those NFA officials who are involved in the rice scam including those grain retailers who sell NFA rice at commercial prices.

To make sure that the NFA rice goes to the poorest of the poor, the government issued "Family Access Card" to families earning not more than P5, 000.00 per month. These families will be prioritized in the distribution

and selling of NFA rice. The President also set up a special anti-hoarding and smuggling task force, which carries out regular raids on suspected warehouses. Violators can be charged with economic sabotage, which is punishable by life imprisonment.

On March 19, 2008, Agriculture Secretary Arthur Yap said that President Gloria Macapagal-Arroyo approved a P1.5-billion augmentation for the Department of Agriculture to increase rice production in the face of an "unprecedented" supply problem on the country's staple food. The approved reinforcement project is to expand the wet season target areas for rice production. Yap said certified seeds instead of good seeds would be planted in irrigated lands that were not reserved for hybrid rice. Certified seeds can yield four and a half tons per hectare while good seeds yield three and a half tons per hectare. Hybrid rice seeds yield 6.5 tons per hectare (Guinto, 2008).

According to him, the important thing to do in the wet season is to distribute, as much as possible, certified seeds so that in the irrigated areas that will not be planted with hybrid rice, they can at least be migrated to certified seed. The plan also called for the planting of an additional 600,000 hectares of rice during the rainy season in the country's top 10 poorest provinces, and another 500,000 hectares in other provinces. Thus, harvests expected in the months ahead will increase rice supplies.

Also, Yap suggested fast-food chains to offer half portions of rice to encourage Filipinos to eat less of the staple. According to him, generous amounts of rice are served in fast-food outlets, but much goes to waste. He urged the fast-food chains to give their customers an option to order half a cup of rice because a fraction of them always have excess rice, thus people do not really finish their rice.

With the diminishing tracks of lands devoted for agriculture, President Gloria Macapagal-Arroyo temporarily suspended the conversion of farmland for development, amid concerns it needs to ring-fence its paddy fields to meet the growing demand for rice, a move which surprisingly spawned very few, if none, comments from wealthy landowners and businessmen.

On April 15, 2008 President Arroyo announced a \$1 billion investment

to improve rice production. The money will be used for seed production, training and loans to farmers, and upgrading irrigation and transport systems. This is in conjecture with the call of Senate President Manuel Villar to the President Arroyo to release the P20 billion allocated for the Agriculture and Fisheries Modernization Act (AFMA) to boost the Department of Agriculture's resources in handling the alarming crisis. One of the objectives of the AFMA is to ensure the accessibility, availability and stability of food supply at all times.

Despite the positive steps taken by the Arroyo administration, members of the government opposition also have their pieces of mind on ominous rice crisis. The rice crisis, according to Senator Francis Escudero, should be addressed and taken seriously by the government. The root cause is not only external shocks but issues related to high cost of inputs; absence or lack of forward planning; and the shift to corn and jatropha. Escudero noted that the government's thrust to promote jatropha in support of the biofuels program diverted the funds intended for rice development to oil alternatives (Cabacungan, 2008).

On the other hand, Senate President Manuel Villar said that the government has a lot of explaining to do on the rice crisis. According to him, corruption in areas that directly affect the poor should never be tolerated. If rice production in the country is low, it is undeniable that fertilizer is one of the reasons; inkling the issue to the fertilizer scam the Arroyo government is involved a few months back.

Villar also said that aside from being ineffective against the rice cartel, the government has likewise been lax in checking the long-standing corrupt practices in the National Food Authority (NFA), which was blamed as well during the 1995 rice crisis under the Ramos Administration (Cabacungan, 2008).

Recommendations and suggestions to solve the crisis come from different sectors of the society. One very popular recommendation is investment in agriculture. According to Robert Zeigler, director general of the International Rice Research Institute (IRRI), the high price of rice is due to lack of investment in agriculture. Research funds have become scarce because governments are redirecting their budgets to global environmental issues.

This is especially true in the Philippines. Senator Edgardo Angara, in a

privilege speech delivered at the Senate on April 21, 2008, said that what went wrong was, the country did not invest enough in agriculture. Despite all the obstacles Filipino farmers faced, they have successfully fed the populace through the years.

According to him, research and development is key to the long-term viability and productivity of agriculture. Today the Philippines spends very small amount research and development. China's example in this regard is instructive. In 2003, it increased its spending for research and development in agriculture with dramatic results in farm productivity. No one goes hungry in China today.

It is undeniable that the country is at the brink of food collapse thus the high price of rice a critical concern. Unless addressed promptly, this problem can lead to social unrest throughout the country.

The food crisis is worldwide. But the high price of rice, in particular, is severely felt in the Philippines because we are dependent on other countries for this basic staple. Real, thorough and long-lasting solutions must be the goal, not for the government, but for all Filipinos to solve this problem. The goal should not just be a half cup of rice; it should be rice on every Filipino table.

REFERENCES

Aguilar, E. (2008). Yap says Arroyo has Vietnam vow for rice. *Philippine Daily Inquirer*. Retrieved April 23, 2008 from <http://www.inquirer.net/specialfeatures/riceproblem/view.php?db=1&article=20080314-124564>

Angara, Edgardo (2008). *Overcoming the Rice Problem: A practical guide to planting more rice*. Excerpts from his privilege speech delivered at the Senate on April 21, 2008.

Asia Pulse (2008). Cambodia Starts Controlling Rice Exports. Retrieved April 24, 2008 from <http://au.news.yahoo.com//080423/3/16l2t.html>

Belcher, H. (2008). Asian rice crisis starts to bite. *Al Jazeera*. Retrieved April 23, 2008 from <http://english.aljazeera.net/NR/exeres/CB6E8E48-C288-4066-90B8-8F23DFDCDFEE.htm>

- Bowring, P. (2008). Will rice depart from Asia's tables?. *Asia Sentinel*. Retrieved April 24, 2008 from http://www.asiasentinel.com/index.php?option=com_content&task=view&id=1156&Itemid=32
- Boyd, A. (2004). Asia's rice, bowled over. *Asia Times*. Retrieved April 24, 2008 from http://www.atimes.com/atimes/Asian_Economy/FB21Dk01.html
- Cabacungan, G. (2008). Fast-food outlets told to cut rice serving. *Philippine Daily Inquirer*. Retrieved April 23, 2008 from <http://www.inquirer.net/specialfeatures/riceproblem/view.php?db=1&article=20080318-125372>
- Senators blame Arroyo for rice crisis. *Philippine Daily Inquirer*. Retrieved April 23, 2008 from <http://www.inquirer.net/specialfeatures/riceproblem/view.php?db=1&article=20080317-125292>
- Corpuz, O.D. (1997). Food Security and Rice. *Public Policy* 1(1):113-120.
- Cruz, N. (2008). As I See It: Rice shortage, no; high prices, yes. *Philippine Daily Inquirer*. Retrieved April 23, 2008 from <http://www.inquirer.net/specialfeatures/riceproblem/view.php?db=1&article=20080317-125126>
- Davila, K. (2008). "Kulang na ang Salop". *The Correspondents*. ABS-CBN. April 29, 2008 episode.
- Guinto, J. (2008). Arroyo OKs P1.5B to boost rice production. *Philippine Daily Inquirer*. Retrieved April 23, 2008 from <http://www.inquirer.net/specialfeatures/riceproblem/view.php?db=1&article=20080319-125693>
- Head, J. (2008). Hoarders blamed for Philippine rice crisis. *BBC News*. Retrieved April 24, 2008 from <http://news.bbc.co.uk/go/pr/fr/-/1/hi/business/7342161.stm>
- McCartan, B. (2008). White Out: Asia's Rice Price Crisis. *Asia Sentinel*. Retrieved April 24, 2008 from http://www.asiasentinel.com/index.php?option=com_content&task=view&id=1127&Itemid=32
- Mogato, M. (2008). Farmers fleeing ancient centre of Philippine rice. Retrieved April 24, 2008 from <http://www.reuters.com>
- National Food Authority (NFA). NFA Rice Importation. Retrieved April 24, 2008 from <http://www.nfa.gov.ph/nfa18.html>

- Orejas, T. (2008). Arroyo: No rice shortage but prices higher. *Philippine Daily Inquirer*. Retrieved April 23, 2008 from <http://www.inquirer.net/specialfeatures/riceproblem/view.php?db=1&article=20080318-125488>
- Arroyo: No rice shortage but ... *Philippine Daily Inquirer*.
Retrieved April 23, 2008 from
<http://www.inquirer.net/specialfeatures/riceproblem/view.php?db=1&article=20080319-125596>
- Palatino, M. (2008). Why a rice shortage in the Philippines? Retrieved April 24, 2008 from http://www.upiasiaonline.com/Economics/2008/04/02/why_a_rice_shortage_in_the_philippines/6495/
- Philippine Institute of Development Studies (n.d). Rice crises in the Philippines.
- Ritter, P. (2008). No Grain, Big Pain. *Time*. April 21, 2008 issue. pp.32-35.
- Rodriguez , M.C. (2008). Arroyo orders probe of rice scam. *Philippine Daily Inquirer*. Retrieved April 23, 2008 from <http://www.inquirer.net/specialfeatures/riceproblem/view.php?db=1&article=20080311-123991>
- Roque, A. (2008). Agri chief Yap orders probe of rice anomaly. *Philippine Daily Inquirer*. Retrieved April 23, 2008 from <http://www.inquirer.net/specialfeatures/riceproblem/view.php?db=1&article=20080317-125158>
- Sabangan, A. (2008). Long lines for rice not the first time in RP history. Retrieved April 24, 2008 from <http://www.GMA News.tv>