

# Rice Shortage: Crisis or Hype?

Friday 30 May 2008, by [DAMAZO JET](#) (Date first published: 29 May 2008).

## The world's rice crisis seems to have come and gone

Whatever happened to the rice crisis? In April, reports of a global food crisis and exorbitant spikes in food prices hogged headlines after major-rice exporting countries announced export restrictions and importing countries — the Philippines in particular — scrambled to secure rice supplies from neighboring countries.

Just a month later, however, prices have begun to fall, the export ban has been lifted in Cambodia and both Vietnam and India, two other rice-exporting nations, have suggested they may lift restrictions as well amid a growing realization by governments that there is no immediate rice shortage after all. The price fell Wednesday to the lowest in more than two months and has fallen by nearly 30 percent. Mentions of rice shortage in the news now have the words “alleged” and “perceived” attached to them — but not before the global panic over rice supplies caused prices to shoot up to around \$1,000 per metric ton in the global market.

The leader of the world's largest rice importer, President Gloria Macapagal Arroyo, is now being attacked by critics for actions that would otherwise have been praised if the shortage had been real—raising farm gate prices to encourage local farmers to produce more rice, jailing rice hoarders and promoting alternative staples like sweet potatoes to her rice-consuming constituents — saying these led to more hoarding and pushed prices higher. The Philippines, it turns out, has 54 days of rice stocks on hand, nearly double China's.

*“The price increase was induced by hype,”* claims Rosario Bella Guzman, executive editor of local think tank IBON Foundation, after local rice prices increased by over 20 percent over the first quarter of the year—from P23.31 (US 53¢ per kilo of regular milled rice in January to P29.70 in April.

A memo from the country's agriculture department to the office of the president in February, she says, said that the government needed to import 2.4 million metric tons of rice because of increasing global prices and tightening supply growth, even though the projected shortfall was only around 1.4 million metric tons. *“The Philippines was panic buying at exorbitant rates,”* she adds. *“The excess would only end up in private warehouses.”*

So was the rice shortage real or perceived? Adam Barclay, a spokesperson for the International Rice Research Institute (IRRI), based in the Philippines, maintains that the real underlying cause of the rice price increase is the long-term imbalance between demand and supply, which has gradually pushed up prices since 2001.

*“The long-term demand and supply imbalance implies that we have been consuming more than what we have been producing. This gap between demand and supply was met by depleting rice stocks which are now down to a 20-year low,”* Barclay said. *“This rise in price accelerated towards the end of 2007 as traditional exporting countries such as India and Vietnam imposed export restrictions.”*

The problem was exacerbated by the disastrous results of Cyclone Nargis in Burma, which virtually destroyed the rice production capability of the Irrawaddy River Delta. Burma, which had contracted to sell 600,000 tonnes of rice to Sri Lanka and Bangladesh, was suddenly turned into a net importer, needing about 500,000 tonnes, according to the Food and Agriculture Organization. In addition, North Korea appears to be headed into serious famine and faces a shortfall of as much as a million tonnes of grains, not necessarily rice, although the country's problems can be expected to cut into other world grain stocks, which are in increasingly short supply.

In addition, according to the just-released OECD-FAO Agricultural Outlook for 2008 through 2017, *"the overall trend of rising output masks an expected fall in (planted area) due to rivalry with other crops and nonagricultural sectors for land."* Rice is also expected to gain importance in African diets, where consumption per capita is expected to rise by about 10 percent annually over the next decade

But Barclay acknowledged that the combination of export restrictions from some countries and the need for imports from other countries, including speculations and panicked reactions following the ban in rice exports, did contribute to the sudden spike in rice price in March-April this year.

*"Other factors include the rapid rise in price of oil (which has raised the cost of fertilizer, irrigation and transport) and pest and weather problems in several key rice-growing areas (for example pest problems in Vietnam, floods in Bangladesh, and drought in the Philippines and Australia),"* Barclay added. *"The convergence of these problems with several longer-term trends, such as population growth, economic growth and shifting diets in India and China, the increasing popularity of rice in Africa, and a leveling off of productivity growth prompted the rapid price rises."*

Food security expert Mohiuddin Alamgir, former director for policy and planning at the International Fund for Agricultural Development and currently a consultant with the Asian Development Bank, also agrees that the country's actions, along with speculative commodities traders and opportunistic rice traders, contributed to the spike in prices.

*"There is a structural gap in the country's supply and demand of rice, which is why the Philippines is now the world's largest importer of rice. The world knows this and so the country's actions will always impact the market,"* Alamgir explained, adding that the manner in which the government came into the market can be debated, as it may have sent the wrong signal. But, he says, had it not been for Arroyo's actions, the country would have been in a worse situation, prices today would have been much higher, and lines at the government's subsidized rice stores would have been longer.

*"The country's problem was that it did not plan properly,"* he adds. *"But people are hurting and they would have hurt more had it not been for the actions taken. Food security is as important as national security, and so governments have to make sure people have food."*

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