



# POLICY BRIEF

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## Policy Directions to Counter Rice Trade Shocks Amidst SARS-CoV-2

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Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2) containment measures in the past weeks have forced governments across the world to impose quarantines, lockdowns, and border controls. These measures have disrupted merchandise and services trade movements, effectively creating trade barriers. The Food and Agriculture Organization of the United Nations (UN-FAO) expects the pandemic to pose disruptions on food supply chains by April or May.

On 26 March, Thursday, Agriculture Secretary William Dar warned of a possible decrease in the country's imported rice supply as the pandemic affects trade flows. In a statement, Secretary Dar said "Again, we wish to emphasize that the threat of hunger is as real as the threat of COVID-19." The Secretary's statements are likely in response to the Viet Nam's order of a temporary suspension of its rice exports last 25 March, Wednesday. Viet Nam, in the league with the world's top rice exporters such as India, Thailand, and Pakistan, is considering converting their shipment as domestic stockpiles amid increased global demand. In the past two decades, the bulk of Philippine rice imports only comes from two Association of Southeast Asian Nations (ASEAN) Member States, Viet Nam and Thailand. Combined imports from these two countries alone comprise about 90 percent of total Philippine rice imports.

Secretary Dar assured the public that the country's current rice inventory of 2.661 MMT- inclusive of commercial, household and government stocks- can cover the country for 75 days. The Department of Agriculture also proposed a 0.3 MMT rice importation as a stockpiling measure, and was approved by the Inter-Agency Task Force (IATF) for the Management of Emerging Infectious Diseases last 27 March, Friday. The proposed rice importation will be undertaken "through Government-to-Government arrangements with ASEAN trading partners and/or from all sources, including India and Pakistan at the ASEAN-level tariff."

Export restrictions coupled with global panic buying will only result to an upward drift in commodity prices. Increased global demand will typically increase the price in the global market. Benchmark prices of rice exports have already been reported to increase in Myanmar, Thailand, and Viet Nam. In the extreme scenario that Viet Nam halts its exports for the rest of the year, the total supply shortfall was estimated to be 5.7 MMT, and the export restriction raises world prices by around 47 percent. If Viet Nam resumes exporting before the year ends, the amount of shortfall and the effect on price will be less. On the other hand, the Philippines' lowered rice import projection for 2020 provides for a less than one percent effect on price even if it imports additional 0.3 MMT. The combined price effects of Viet Nam's export restriction and the Philippines' additional import purchase is estimated to be around 48 percent. Nevertheless, if more rice exporters implement restrictions and more rice importers join the surge in purchase, then the trade shocks will be greater and the effect on price will be higher.

The prudence of Secretary Dar in monitoring the country's rice supply, and his assurance of a sufficient rice stock to last 75 days are very much welcome. With the SARS-CoV-2 pandemic raising alerts on food security, it is only understandable for economies to regulate and stock up their food supplies. Moving forward, the government should continue to plan ahead and guarantee the country's food supply throughout the year.

- a. The government should begin importing the 0.3 MMT strategic rice stockpiling as we anticipate global price of rice to further increase in the coming months.
- b. The government should maximize the preferential treatment afforded by its membership in ASEAN Trade in Goods Agreement (ATIGA) and ASEAN+1 free trade agreements to secure better trade arrangements to major rice exporters such as Thailand and India.
- c. The government should also consider importing rice from emerging rice exporters in ASEAN such as Cambodia, Myanmar, and Lao PDR. As part of the ATIGA, exports from these Member States enjoy the same lowered tariff rates as that of Thailand and Viet Nam.
- d. The lowered rice import target of the government for this year will expectedly increase domestic rice prices. To cushion this effect, the national government should allocate a portion of its national budget, and local government units its calamity funds, to subsidize the agriculture sector. One of our recommendations in the Policy Brief "[Arresting the Impact of COVID-19 on the PH Economy](#)" was to allocate PHP50Bn for agriculture to further incentivize domestic production and meet domestic agricultural demands.
- e. The possible stoppage of Viet Nam rice exports should caution the Philippines from relying too much on a single exporter. In the immediate future, the Philippines should strongly consider diversifying its source of rice imports.

The Philippines, being one of the world's biggest importers of rice, can only be at the forefront of undertaking region-wide mechanisms that guarantee a reliable rice supply in the region. These principles have already been enshrined in the 1979 Agreement on the ASEAN Food Security Reserve which, among others, paved way for the establishment of a food information and early warning systems among Member States. This also brings to fore further enhancement of ASEAN-wide initiatives that will facilitate trade and improve quality infrastructures to ensure a more seamless movement of agricultural products in ASEAN.

*An extended and more technical discussion on rice trade shocks is available as part of the 2020 Working Papers Series, found [here](#).*

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