

## ASEAN Newsletter March 2012

### **Rethinking ASEAN Food Security: ASEAN Plus Three Emergency Rice Reserve (APTERR) and Other Considerations \***

*By Dr. Larry Wong*

*Programme Director, Institute of Strategic and International Studies (ISIS) Malaysia*

The 2008 global food crisis has thrust food security to the forefront of the development agenda. Another anticipated food crisis in early 2011, resulting from surging prices of sugar, wheat and corn was fortunately averted when rice prices not only lagged but declined in the first Quarter of 2011. Nevertheless, there are still legitimate concerns about recurring food price hikes and volatility in future.

Consequently, many countries have adopted short-term unilateral responses comprising a combination of food safety net programs; subsidies and transfer programs to encourage supply response; increasing self-sufficiency levels of staples; increasing national food reserves; and demand management. Besides this, governments have also pursued multilateral initiatives. The World Summit on Food Security of 2009 expressed its support for open trade and increasing agricultural investments, coordinated action by member governments and the donor community, and multilateral response to food security threats.

At the regional level, the ASEAN Summit of March 2009 approved the ASEAN Integrated Food Security (AFIS) Framework, supported by a Strategic Plan of Action on Food Security (SPA-FS) which contains a more concrete set of activities than other food security declarations. The major components of the AIFS Framework are food security arrangements and emergency short-term relief; sustainable food trade development; integrated food security information system; and agricultural innovation. With respect to the first component, a major activity is the establishment of an ASEAN Plus Three (ASEAN +3) Emergency Rice Reserve (APTERR). This reserve builds on the East Asia Emergency Rice Reserve (EAERR), a pilot project of the ASEAN Ministers of Agriculture and Forestry and the Ministers of Agriculture of the People's Republic of China, Japan, and the Republic of Korea (AMAF+3) launched in 2003. The EAERR is, in turn, a revitalization and expansion of the ASEAN Emergency Rice Reserve (AERR) established in 1979.

This commentary focuses on the APTERR together with the role of the private sector as well as the changing role of rice in ASEAN. Its underlying theme is that it is prudent to consider things in proper perspective and recognize the evolving strategic arrangements forged by the private sector as well as the key new dimensions in ASEAN Food Security, especially that of the changing role of rice so as to be able to get the 'basics' and 'balance' right.

The 2008 Global Food Crisis taught us that beyond the 'traditional' dimensions of *availability, accessibility, utilization and stability*, there are a growing set of new dimensions that have rendered food security more complex, multi-scale, and interconnected. These new dimensions include the growing importance of:

- Cross-border or Regional initiatives/solutions;
- Food-Feed-Fuel-Finance conundrum;

- Food-Water-Energy nexus;
- Traceability and food safety;
- Self-reliance rather than self-sufficiency;
- Demand management;
- Role of private sector – Public-Private Partnerships; and
- Changing Role of Rice.

Our subsequent preoccupation will be with the last two new dimensions.

**APTERR:** The policy and practice of maintaining national food reserves (especially of rice) has been widely practiced. However, emergencies that are huge and catastrophic or panic-driven can overwhelm national reserves. This led to the push for international or regional food reserves. International cooperation along such lines was first muted in the aftermath of the global food crisis of 1973-1974. In 1975, the United Nations General Assembly approved the establishment of the International Emergency Food Reserve (IEFR), with initial stocks of 500,000 tons to be created by voluntary contributions of rice and wheat.

At the regional level, ASEAN member states signed an Agreement on the ASEAN Food Security Reserve (AFSR) in 1979 to establish the ASEAN Emergency Rice Reserve (AERR) consisting of national food security stocks voluntarily designated or earmarked to address food emergencies, totaling 50,000 tons which was subsequently increased to 87,000 tons.

Both of these cooperation arrangements, however, turned out to be ineffective. In fact, the AERR never made a release from its stocks! A commissioned review pointed out that this dismal record was due to the reserves being too small; the bilateral negotiation procedure for the AERR merely duplicated regular government-to-government transactions; and the ASFR Board was unable to operate AERR as a regional entity due to the lack of funding for the secretariat.

The APTERR has been structured to overcome these weaknesses as well as those encountered in operating the EAERR as a pilot from 2003 to 2010. The establishment of a permanent scheme is under way following the signing of an Agreement on APTERR on 7<sup>th</sup> October 2011, starting with a reserve of 787,000 MT. However, the agreement left program strategies and operational issues for internal discussion to the APTERR Council and Secretariat, leaving many unresolved technical, financial, and institutional issues. Despite criticism that APTERR is strong on the principles of cooperation but short on specifics, it is generally felt that the APTERR is a step in the right direction towards ASEAN Food Security, especially when taken as one of the four components of the AIFS Framework. To be sure, much needs to be done, such as forging a relationship with the private sector, especially in market-based instruments or initiatives as well as the extension of the reserve beyond rice, step by step.

***The Role of the Private Sector:*** Food security has been widely viewed as a public sector undertaking. However, it is increasingly recognized that the much of the efforts at ensuring food security from both the supply and demand side are more effectively executed by the private sector. In relation to that, the rise of supermarkets and the accompanying development of supply chains and trading networks can also be leveraged to enhance and sustain a more comprehensive and inclusive ASEAN food security. After all, as Willy Brandt succinctly stressed years ago, '*International Cooperation is far too important to be left to Governments alone.*'

There are also other private sector initiatives, for example in rice/food commodities futures such as

the Agriculture Futures Exchange Thailand (AFET) and the on-going effort of Singapore Mercantile Exchange (SMEX). There are also interesting configurations of private sector involvement in managing national rice reserves as in the case of BERNAS in Malaysia since 1976 and the more recent case of Myanmar Agribusiness Public Company (MAPCO) in Myanmar in 2012.

At the macro level, ASEAN enjoys a food trade surplus and dominates global markets and trade in rice and palm oil. ASEAN can and will continue to 'feed the world' with increasingly safe, wholesome, and traceable food.

Examples of comprehensive cross border investments in oil palm involving supply chains and trading networks in ASEAN include those of Malaysian companies like Sime Darby, KLK, FELDA and Indonesian companies like Sinar Mas. Similarly, in livestock we find the Charoen Pokphand Group of Thailand (animal feed, layers, broilers, pigs, and shrimp) and Leong Hup Holdings of Malaysia (animal feed, layers, and broilers).

***The Changing Role of Rice:*** Across ASEAN, rice is increasingly the food of the poor and rural segments, which are precisely those impacted most by volatility as well as 'high stable' (incentive) prices often used as mechanism to achieve food security at macro level and high level of self-sufficiency. Relatedly, urbanization lowers per capita consumption of rice of rural migrants, on account of a sudden increase in substitutes and changing diets.

Better food supply chains/systems which have spread to rural growth centers have resulted in rural house-holds being able to afford to be less self-sufficient in food production and consumption, especially rice. Relatedly, modern supply chains/supermarkets have linked and changed interactions between farmers, markets and consumers.

Furthermore, the share of total calories from rice is declining and the food budget share of rice is declining even faster, accounting for less than 20% (higher for poor). This means that they spend more than 80% on other food. As a result of these considerations, the share of rice in agricultural output and in over economy are also declining rapidly.

Therefore, it is worrisome when policy debate appears to be trapped in the mindset of the 1970s: being production-centric, supply-centric, public sector-centric, rice-centric, and nation-centric (still emphasizing self-sufficiency over self-reliance) despite the realities of 2010s stated above.

ASEAN would be better served, if we also focus on supply response to price, exploit biotechnology and innovation, repackage subsidies, treat ecosystem services as public goods, encourage public-private partnerships along entire supply chain on the supply side. At the same time, focus on rationalizing demand (reduce wastage, especially at consumer level), diversify diet (eating less meat, including switching from terrestrial livestock to seafood/aquaculture which have more efficient feed conversion ratios) on the demand side.

Lastly, the increasing private sector efforts in integrating ASEAN-wide modern farming and economic activities along agri-food supply chains and international trading networks could and should be harnessed and leveraged to complement and supplement on-going Government, civil society and international agency efforts in a more holistic, multi-sectoral approach towards ASEAN Food Security.

*\* The article is prepared for the ASEAN Newsletter of the Ministry of Foreign Affairs and Trade, Republic of Korea.*