Balancing Export-oriented and Food Security Approaches in ASEAN

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OUTLINE:

1. **Backdrop – ADBI Study findings, New Dimensions of food security and Changing role of rice**

2. **ASEAN rice exporting and importing countries – resource endowments and other considerations (especially regional rice integration) – Balancing/integrating Export-oriented and Food Security Approaches in ASEAN**

3. **Salient Issues & Way Forward**

4. **Key Take Home Messages**

KEY FINDINGS OF RECENT ADBI STUDY :

Development of Supply Chains, Development of Seed Industry and Agriculture Sector Reform/Restructuring constitutes integral components of the Pilot Phase of the Supporting ASEAN Equitable Economic Development (CLMV) Project of 2012

1. All CLMV countries are currently net rice exporters - except for Myanmar, CLV were rice importers before – turn-around largely policy driven

2. At beginning of study in 2012, all CLMV targeted to export more rice in future – but by end of study, on-going policy debate at national level is how much rice to produce and export? – in view of extensive nature, water requirement and low comparative profitability of rice. So recognize increasing importance of Supply Chain development and management (vertical diversification) and crop/enterprise choice or mix (horizontal diversification) – rice-based farming system

3. Except for Viet Nam (exports around 30-40% of total rice production), CLM export < 10% of production (much less that what they consume domestically). Cautionary note: disproportionate emphasis on rice exports supply chain – domestic spatial and temporal arbitrage supply chain equally important especially for food security, employment generation, poverty reduction, and inclusive growth

KEY FINDINGS: (Cont'd)

4. Dynamics of Global and regional rice markets – shifting trade and market segments – policy changes in India, China and Thailand – China hike in imports result from raising price subsidy over last few years (likely major importer in future) – coupled with ASEAN and GMS connectivity increasing importance of Border Trade and cross-border investments. Also new markets with preferential treatment - EU (EBA)

5. Productivity enhancement - along entire supply chain – beyond efficiency and cost of production, but also cost of milling/processing (electricity, capacity utilization), transportation, export processing, financing. A recent comparison across countries – CLM lagging, much room for improvement

6. With the exception of Vinafood I and II in Viet Nam, CLM have rolled back the involvement of SOEs, - Myanma Agriculture Produce Trading (Myanmar) and State Enterprise for Food and Crop Promotion (Lao PDR) – now playing minor role or restructured – future of SOEs and G to G trade? G to G facilitated but B to B executed

KEY FINDINGS: (Cont'd)

7. Significant FDI in mills and processing [Viet Nam > Cambodia > Lao PDR > Myanmar (MITSUI with MAPCO, more to come)] – pivotal role for transforming upstream and downstream segments – development of comprehensive supply chains and sub-chains – investments in input supply, modern distributive trade, especially supermarkets – various forms of contract farming and modalities of provision of agri-support services and foundation for enhancing productivity – financing, technology and business organization and market access.

8. Need to get basics, balance and leveraging right in order to support ASEAN Equitable Economic Development - role of Government still important in the wake of increasing importance of private sector and P-P-P

KEY FINDINGS: (Cont'd)

9. Future prospects/Recommendations

- Policy issues – sequential strengthening identified weak links in rice supply chains;
- Coordinated initiatives/emphasis on green food (low chemicals, traceable, food safety - food scare, absence of heavy metals);
- Development of more high-value end-uses – transmission of better prices to farmers/producers;
- Proactive in attracting FDI (technology transfer, export platform);
- More organized border trade – leveraging on increasing GMS and ASEAN connectivity – especially superior infrastructure and linkage to other countries
- New Markets with preferential treatment – EU - EBA and possibility China and Russia – more proactive
- Scalability and Replicability of innovative approaches – adaptation, sharing and shoring
- Explore possibility of development of 'regional rice cluster' covering not only CLMV but also ASEAN + 3

NEW DIMENSIONS OF FOOD SECURITY – Post 2008

Beyond the 'Traditional' Dimensions of Availability; Accessibility; Stability; and Utilization – new dimensions have rendered Food Security more complex, multi-scale, and interconnected.

- **Considered as part of Human Security – Non Traditional Security**
- **Cross-border or Regional dimension – collaboration/solutions**
- **Food-Feed-Fuel-Finance conundrum**
- **Food-Water-Energy nexus**
- **Traceability and food safety - Safe Food**
- **Demand Management – Save Food**
- **Self-reliance rather than self-sufficiency**
- **Increasing importance of more holistic Supply Management (and trading network) Approach**
- **Role of private sector – Public-Private Partnership**
- **Changing Role of Rice**

BUT basic issues of 'Price Dilemma', Domestic Price Stabilization and (mis)Trust of Global Rice Market remains – [CARE - debate trapped in mindset of 1970s despite realities of 2010s]

THE CHANGING ROLE OF RICE

- Rice increasingly food of the poor and rural segment – impacted most by volatility as well as 'high stable' (incentive) prices as mechanism to achieve food security at macro level and high level of self-sufficiency
- Urbanization lowers per capita consumption of rice – variety of substitutes – changing diets
- Better food supply chains/systems – rural h/h can afford to be < self-sufficient in food production and consumption, especially rice
- Relatedly, modern supply chains/supermarkets have linked and changed interactions between farmers, processors, markets and consumers
- Share of total calories from rice declining, food budget share of rice declining even faster < 20% (higher for poor); > 80% on other food, including processed & convenience food
- Consequently, share of rice in agricultural output and in overall economy also declining rapidly
- As rice cannot generate degree of employment and incomes required for inclusive and sustainable growth, water moving out of rice, land moving out of rice – horizontal and vertical diversification

Unfortunately, current food security debate still mired in the mindsets of the 1970s .. rice-centric, production-centric, public sector-centric, nation-centric (self-sufficiency rather than self-reliant), etc… can and should do better!

Major Global Rice Producers and Consumers

Major rice producing countries

Country	2012/13 (mi. ton)	%
China	143	30.3
India	105.2	22.3
Indonesia	36.6	7.8
Bangladesh	33.8	7.2
Vietnam	27.7	5.9
Thailand	20.2	4.3
Myanmar	11.7	2.5
Philippines	11.4	2.4
Japan	9.8	2.1
Brazil	8.0	1.7
USA	6.3	1.3
Cambodia	4.6	0.9
Others	53.2	11.3
Total	471.5	100

Source: Grain: World Market and Trade, USDA, March 2014

Major rice consuming countries

Country	2012/13 (mil.ton)	%
China	144	30.8
India	94	20.1
Indonesia	38	8.1
Bangladesh	34.5	7.4
Vietnam	20.5	4.4
Philippines	12.9	2.8
Thailand	10.6	2.3
Myanmar	10.4	2.2
Japan	8.3	1.8
Brazil	7.9	1.7
Nigeria	5.4	1.2
Korea	4.6	1.0
USA	3.8	0.8
Egypt	3.9	0.8
Cambodia	3.6	0.7
Others	64.8	13.9
Total	467.2	100.00

Major Rice Exporting and Importing Countries

Major Rice exporting countries in 2013

Country	Amount (mil. ton)	%
India	10.50	27.16
Vietnam	6.80	17.59
Thailand	6.70	17.33
Pakistan	3.50	9.05
USA	3.27	8.46
Myanmar	1.16	3.01
Cambodia	0.98	2.53
China	0.45	1.16
Brazil	0.83	2.15
Uruguay	0.90	2.33
Argentina	0.53	1.37
Egypt	0.85	2.20
Australia	0.46	1.19
Guyana	0.35	0.91
Others	1.38	3.56
Total	38.66	100.0

Major Rice importing countries in 2013

Countries	2013	%
China	3.20	8.28
Nigeria	2.60	6.73
Iran	2.15	5.56
Iraq	1.30	3.36
Cote d Ivore	1.30	3.36
EU	1.30	3.36
Saudi Arabia	1.23	3.18
Senegal	1.25	3.23
Philippines	1.10	2.85
South Africa	0.95	2.46
Malaysia	0.90	2.33
Indonesia	0.65	1.68
Brazil	0.75	1.94
Japan	0.69	1.78
Mexico	0.73	1.89
Others	17.91	46.33
Total	38.66	100.0

Source: Grain: World Market and Trade, USDA, March 2014

Rice Production and Consumption in ASEAN and ASEAN+3

Country	population (million)	2013 (million ton)			
		Export	Import	Domestic production	Domestic consumption
Singapore	5.2	-	0.17	-	na
Malaysia	29.0	na	0.90	1.69	2.82
Philippines	95.0	-	1.10	11.43	12.86
Indonesia	242.0	-	0.65	36.55	38.13
Brunei	0.4	-	0.02	na	na
Vietnam	88.0	6.8	-	27.70	20.50
Thailand	70.0	6.7	-	20.20	10.60
Laos	6.3	-	Na	1.48	1.131/
Cambodia	14.3	0.98	-	4.60	3.62
Myanmar	48.3	1.16	-	11.72	10.40
ASEAN	598.5	15.64	2.84	115.37	100.06
China	1354	0.45	3.20	143.00	144.00
Japan	127	na	0.69	7.76	8.25
S. Korea	50	na	0.55	4.01	4.61
ASEAN + 3	2119	16.09	7.09	270.34	256.92

Note: 1/ Calculate from per capita consumption.
Source : Population from World Bank, Rice Production and Consumption data from Grain : World Market and Trade, USDA ; January 2013

Domestic Food Security Issue and Market Integration

- Self-sufficiency policy still dominant in some countries.

ASEAN rice importing countries still place rice in high sensitive list with step-wise tax reduction :

✓Malaysia reduced from 40% to 20% in 2010;

✓Indonesia will reduce from 30% to 25% in 2015;

✓Philippine will reduce from 40% to 35% in 2015

Towards Market Reliability and Integration

- Regional integration on commodity market will facilitate managing food security in the region.

TOWARDS REGIONAL FOOD SECURITY:

2008 global food crisis – recognition that food security one of most important cross-border issues where countries acting alone are unable to handle – top priority issue in ASEAN and East Asia (ASEAN+3) levels

11th ASEAN+3 Summit, Nov 2007 **–food security identified as the key area where regional cooperation need to be advanced**

14th ASEAN Summit, March 2009, Thailand **– adopted ASEAN Integrated Food Security Framework (AIFSF) and Strategic Plan of Action on Food Security in the ASEAN Region (SPA-FS)**

NEAT Working Group in East Asian Food Security, July 2009 **– need to build on East Asia Emergency Rice Reserve (EAERR) piloted in 2004 and ASEAN Food Security Information System (AFSIS) initiated in 2003 and weave into AIFSF and SPA-FS**

AMAF finally signed ASEAN Plus Three Emergency Rice Reserve (APTERR) agreement on 7th Oct 2011 for meeting requirements of emergency rice supply

Trade structure (quality segments) has changed

World Trade: Est. Changes in Quality since Mid 1990s			
(millions of tons, milled equiv.)			
Quality	mid 90s	2005-07	2010-12
Basmati	.89	2.00	3.64
Jasmine	1.20	1.90	2.52
Jasmine Bkns	NA	.69	0.73
Glutinous	.28	.34	.46
Japonica	1.50	2.58	2.42
Rough	.50	2.45	2.36
Brown	.60	0.70	.64
Parboiled	2.15	6.93	6.07
High	3.20	5.10	8.14
Medium	2.50	3.07	2.97
Low	3.86	5.27	4.63
Brokens	.83	1.82	2.01
Total	17.50	32.85	36.60

Source: Personal Communication Tom Slayton

Key Importers Changing - Opportunities

Imports by Key Markets (million tons)				
	2011	2012	2013	CHG
Bangladesh	1.49	.05	.30	.25
China	.58	2.90	3.00	.10
Indonesia	3.10	1.96	1.50	-.46
Iran	1.87	1.70	1.50	-.20
Iraq	1.04	1.48	1.40	-.08
Ivory Coast	.94	1.45	1.15	-.30
Nigeria	2.55	3.40	2.90	-.50
Philippines	1.20	1.50	1.50	0
Senegal	.81	1.20	1.00	-.20
Others	22.69	23.51	25.75	2.24
TOTAL	36.25	39.15	38.60	1.54

Source: Personal Communication Tom Slayton

Increasing Paddy support prices: 2012 $381/MT; 2013 – 420/MT (~620/MT rice wholesale) – TRQ – 5.32 MMT (duty 1% cf outside TRQ 65%)

EU – 1.5MMT/annum; EBA – duty waiver – E175 or USD228/MT

4 Major Rivers (of which 3 originates within own border) and many rivers and creeks flow into or join the major rivers

Sagaing Region

Rakhine State

East & West Bago Region

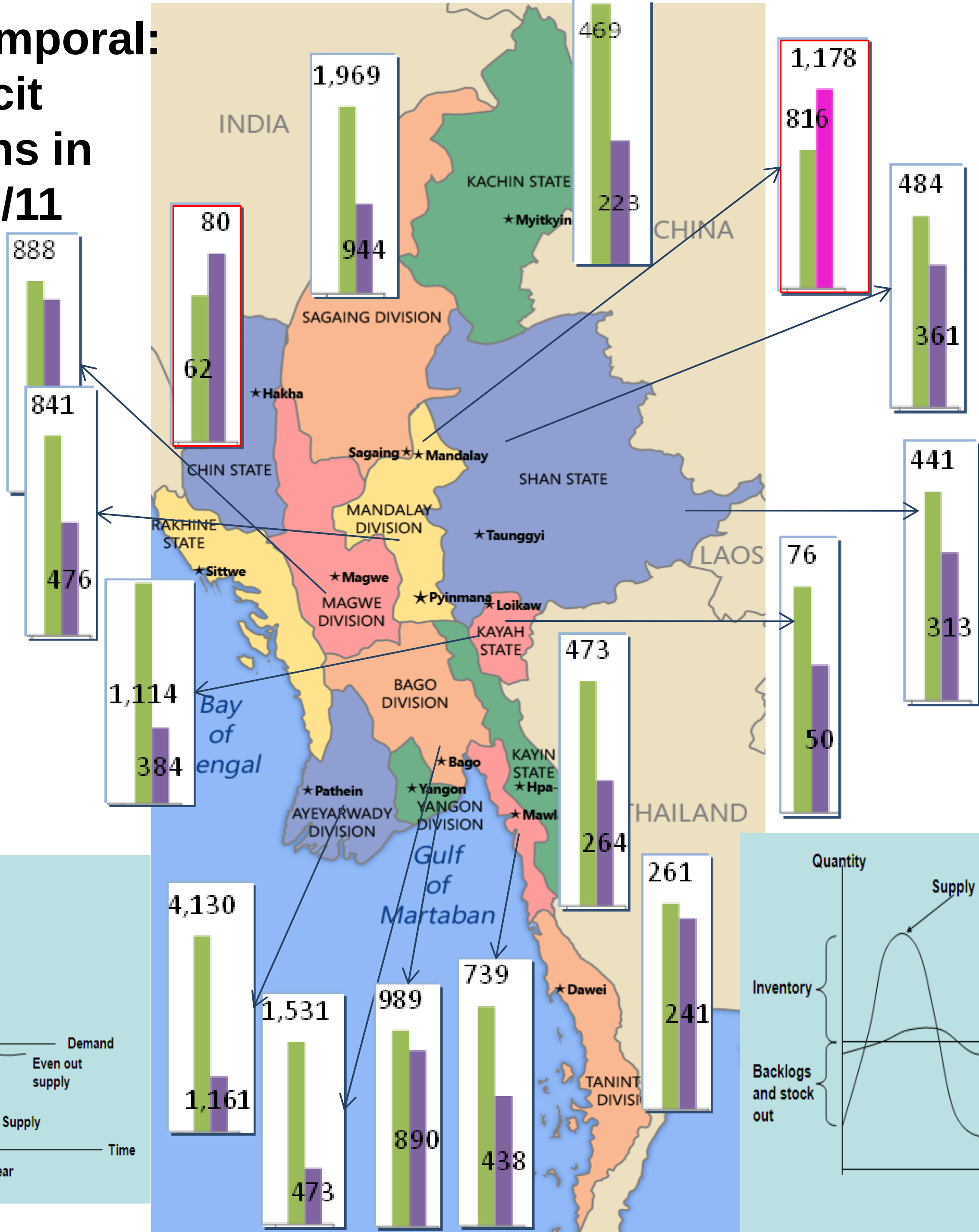
Ayeyarwaddy Delta Region

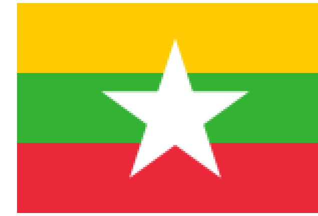
Four Major Rice Granaries in Myanmar

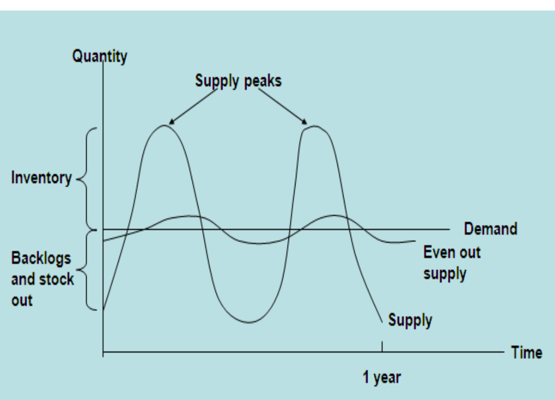
Crop Season	Planting Area (acres million)
Monsoon Paddy	16
Summer Paddy	3
Total	**19**

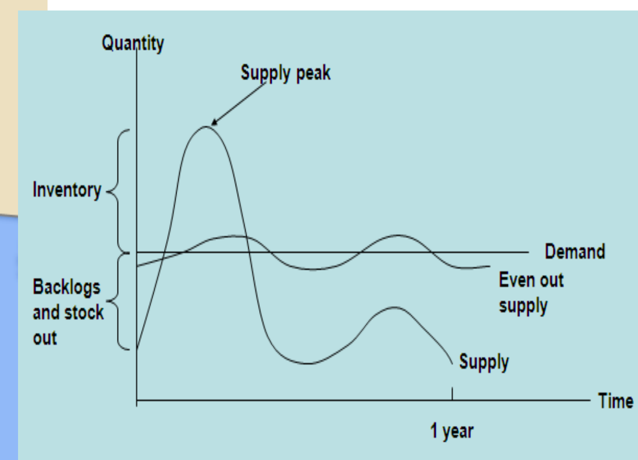
	MT (million)
Paddy Production	35
Milled Rice	13-14
Export (2012)	1.4
Border Trade	0.5-1
National Surplus	2-3
Per capita Consumption	
Urban	120-130 (kg)
Rural	200-210 (kg)

Spatial and Temporal: Surplus &Deficit States/Divisions in Myanmar 2010/11







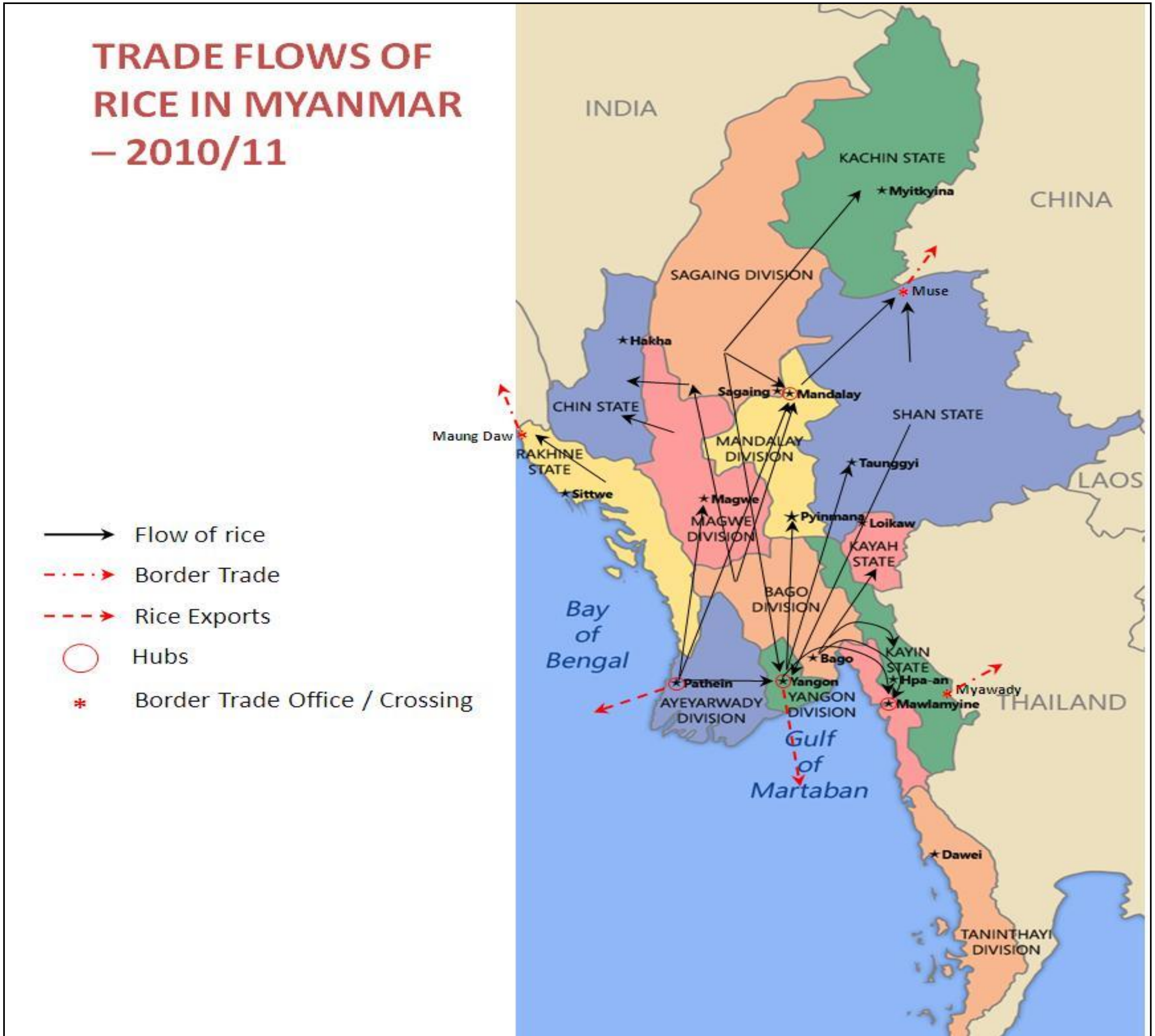


DIFFERENTIATED Rice Supply (Sub) Chains:

- **Traditional Rice Supply Chain**
- **Spatial & Arbitrage Supply Chain**
- **International Rice Trade Supply Chains**
- **Border Trade Rice Supply Chain**

Also (for CLMV):

- **Traditional Rice Supply Chains**
- **Transforming Rice Supply Chains**
- **Modern Rice Supply Chains**



Source: Wong and Wai (2013)

ASIDE: INFRASTRUCTURE – Strategic Border Posts/Crossings (15)

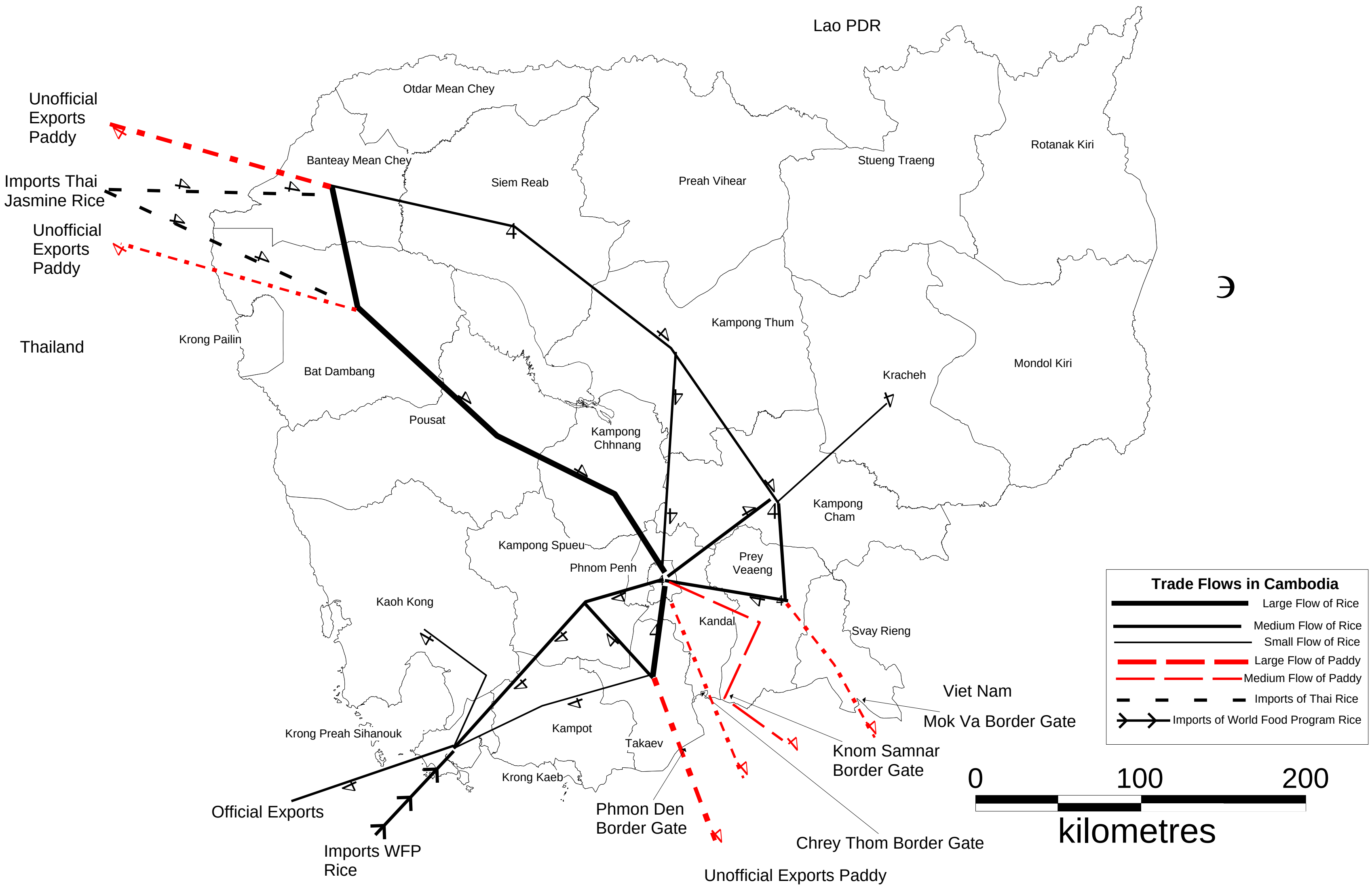
Key Border posts:

a) Muse – China (Link to Lashio-Mandalay—Monywa-Tamu in India)

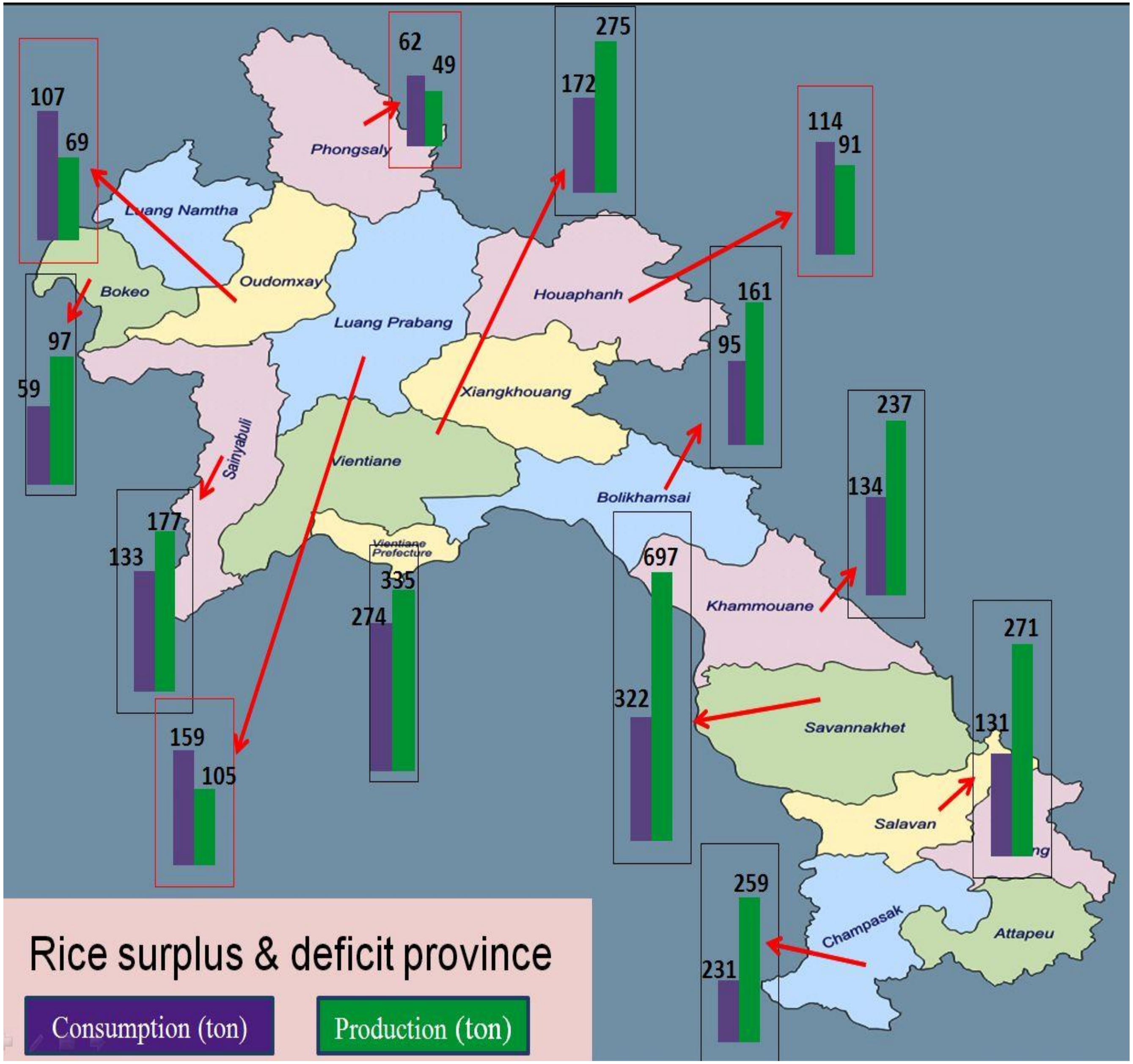
b) Tachileik – Thailand (Link to Keng Tung-Taunggyi)

c) Myawaddy – Thailand (Link to Pha’an)

Trade Flows Of Rice And Paddy In Cambodia – Conventional and Border Trade

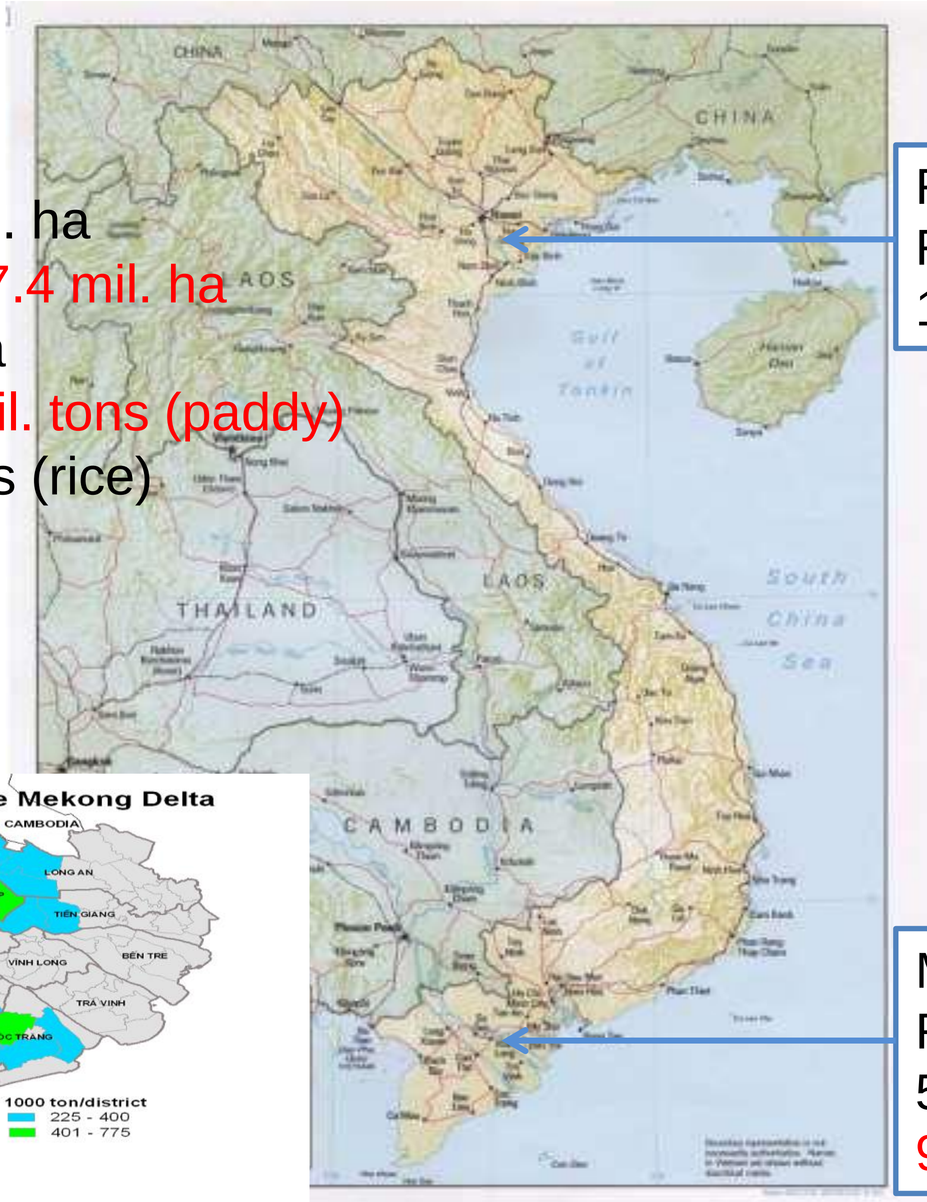


Rice Surplus and Deficit Provinces



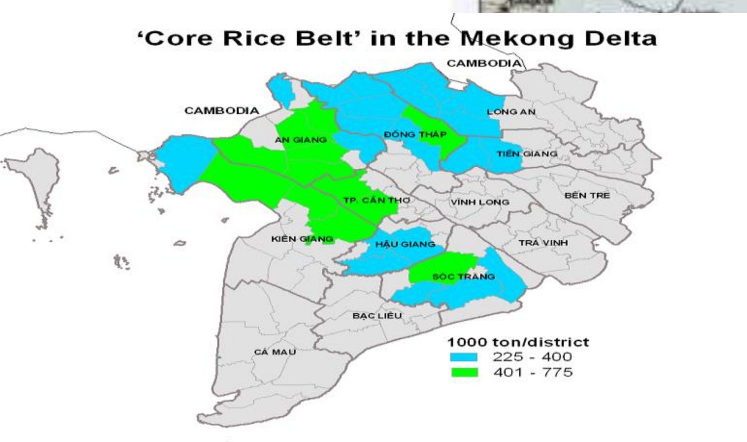
Viet Nam Rice Production

Rice land: 3.9 mil. ha
Cultivated area: 7.4 mil. ha
Yield: 5.32 ton/ha
Production: 40 mil. tons (paddy)
Export: 7 mill tons (rice)



Red River Delta
Rice land: 0.6 mil. ha
17% of total production

Mekong River Delta
Rice land: 1.87 mil. ha
55% total of production
95% of total export



GMS Connectivity

Road Transport Network

2015 (Committed)

Source: West Indochina

MALAYSIAN RICE SECTOR AND POLICY

- Area under rice – 415,000 ha (>50% double cropped) Vs >4.5 million ha under oil palm, 1.2 million ha under rubber - Comparative advantage in tree crops (no deltas or wide alluvial plains)
- Contribution to GDP <1% (0.7% in 1988, 0.2% in 2010)
- Annual imports 900K – 1.2 million MT (<3% of globally traded rice)
- Always elected to be net importer of rice (65 to 90% SSL)
- Disproportionate intervention/support – 'political crop'- more interventionist after 2008 food crisis
- Production-centric, Peninsular Malaysia-centric, & overt reliance on subsidies
- Need more flexible approach to Sabah (30% self-sufficient) and Sarawak (50% self-sufficient) because of their significantly different natural endowment and Institutional Framework – lower cropping intensity.

MALAYSIAN RICE POLICY

Rice Policy – Historical Perspective:

- 3 main objectives – ensuring food security; raising farm income & productivity; ensuring rice supply at fair & stable prices
- LPN established 1972, sole importer in 1973, corporatised as Bernas in 1994, privatised BERNAS in 1996 (market liberalisation), listed KLSE in 1997 – sole-importer status retained until January 2011, in return for performing set of 'duties' & 'social obligations' as per Privatisation Agreement
- Production-centric & balancing producers' and consumers' interests

INDONESIAN RICE POLICY – NOTABLE DEVELOPMENTS

- New Food Law 2012 – emphasized local food availability and food sovereignty – but now policy of self-sufficiency defined as 'at least 90% self sufficiency allowing for imports of up to 10%
- Continuation of subsidies – especially input subsidies - seeds, fertilizer; also credit
- Food subsidy for the poor (Raskin)
- Piloting crop insurance – subsidy of 80% of premium
- Price Stabilization using Government Purchase Price (GPP) for Government procurement coupled with operation of national rice stockpile/reserve (which varied between 1.5 and 3.3 million MT over last 10 years).

PHILIPPINES- Salient Issues

- In many important ways, mired in the food security mindset of the 1970s despite the unfolding realities (and opportunities) of the 2010s – rice-centric, production-centric, public-sector- centric, and nation-centric - dubious distinction of continuing to pursue 100% self sufficiency relentlessly

- Consider the options and implications (especially benefits) of moving away from:
  a) Rice-centricity;
  b) Production-centricity;
  c) Public sector-centricity; and
  d) Nation-centricity (self-sufficiency instead of self-reliance) in the wake of AEC 2015 and other regional trade arrangements

RICE-CENTRIC despite:

Domestic Resource Cost and Net Social Profitability of Selected Agricultural Production Activities in the Philippines

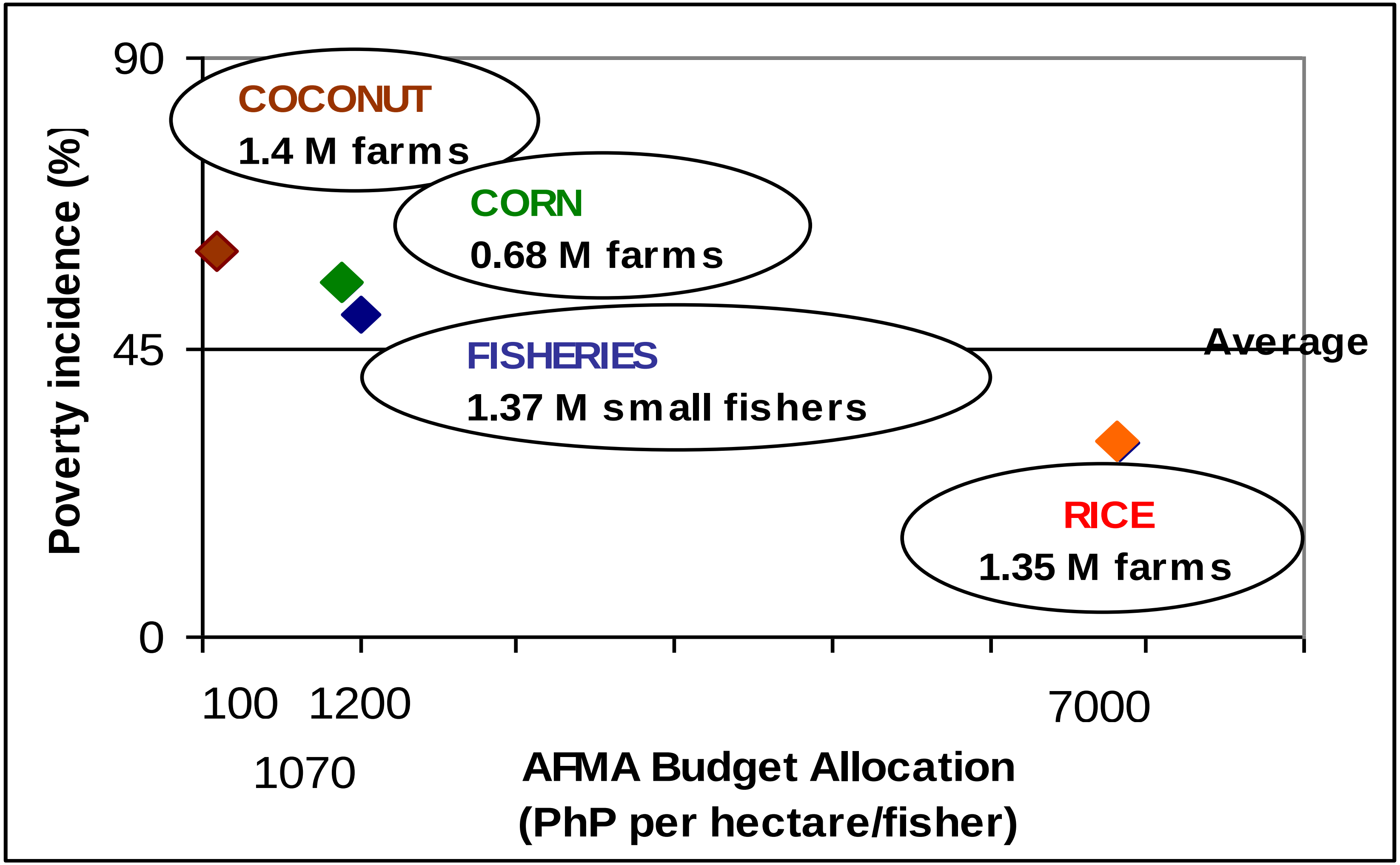
Commodity	DRC	NSP**
Banana (cavendish)	0.86	0.14
Broilers	0.51	0.49
Coconut	0.70	0.30
Hogs	1.08	-0.08
Mango*	0.41	0.59
Milkfish	0.32	0.68
Pineapple*	0.19	0.81
Rice	2.60	-1.60
Sugarcane	0.78	0.22
White corn	1.33	-0.33
Yellow Corn	0.92	0.08

* At farm gate; otherwise at wholesale

** In proportion to net foreign exchange earned or saved

Source: Gergely (2010) for the DRC; Habito et al (2011) for NSP

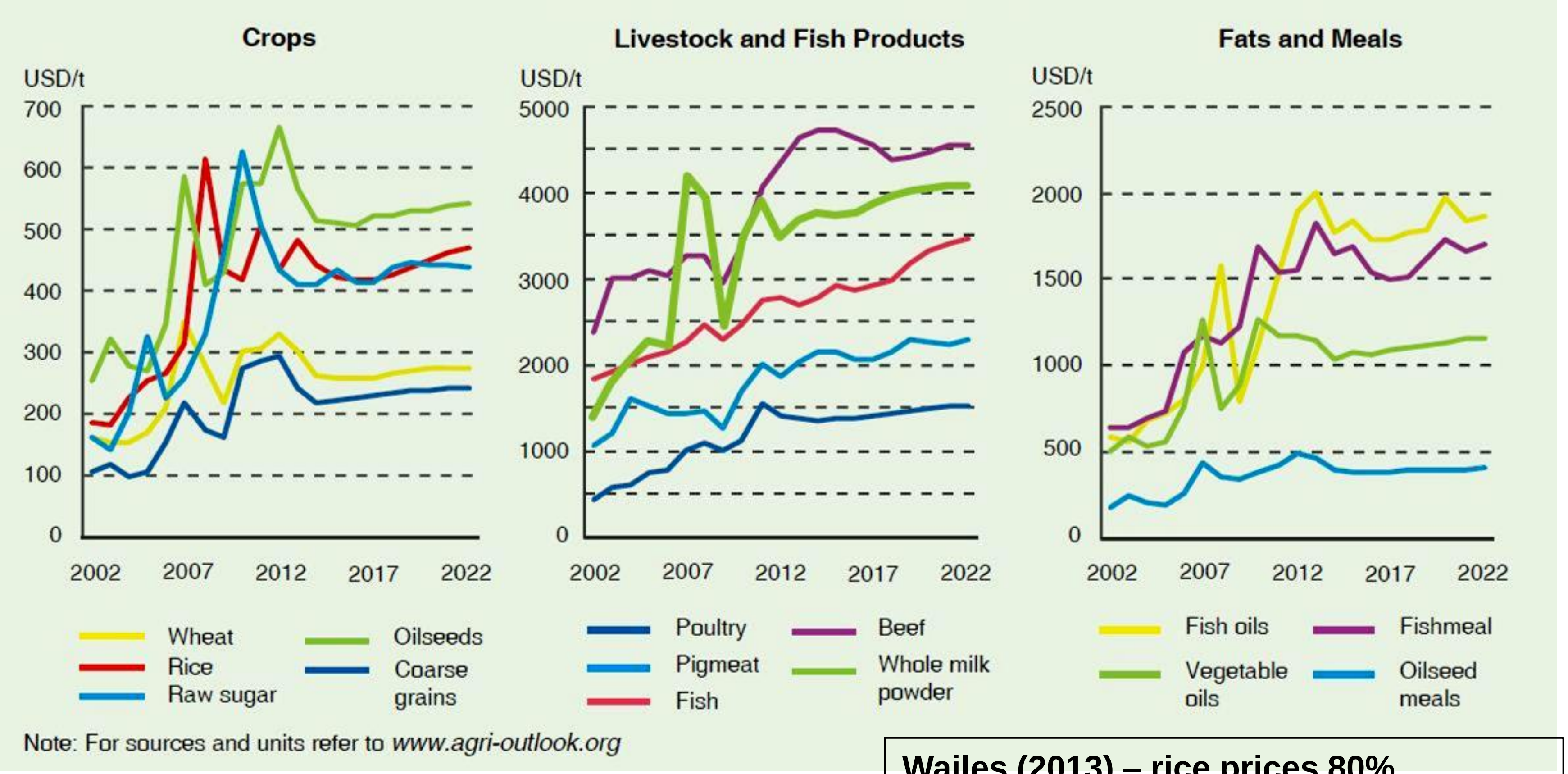
Disproportionate budgeting



Source: World Bank (2007) – Philippines: Agriculture Public Expenditure Review,

2002 Ag Census – coconut pltd area – 3.3 mil ha (34%) cf rice's 2.5 mil ha (25%)
- 70% allocation went to rice which only accounted for 16% value of total agric output)

Price trends for agriculture and fish commodities to 2022 (nominal)

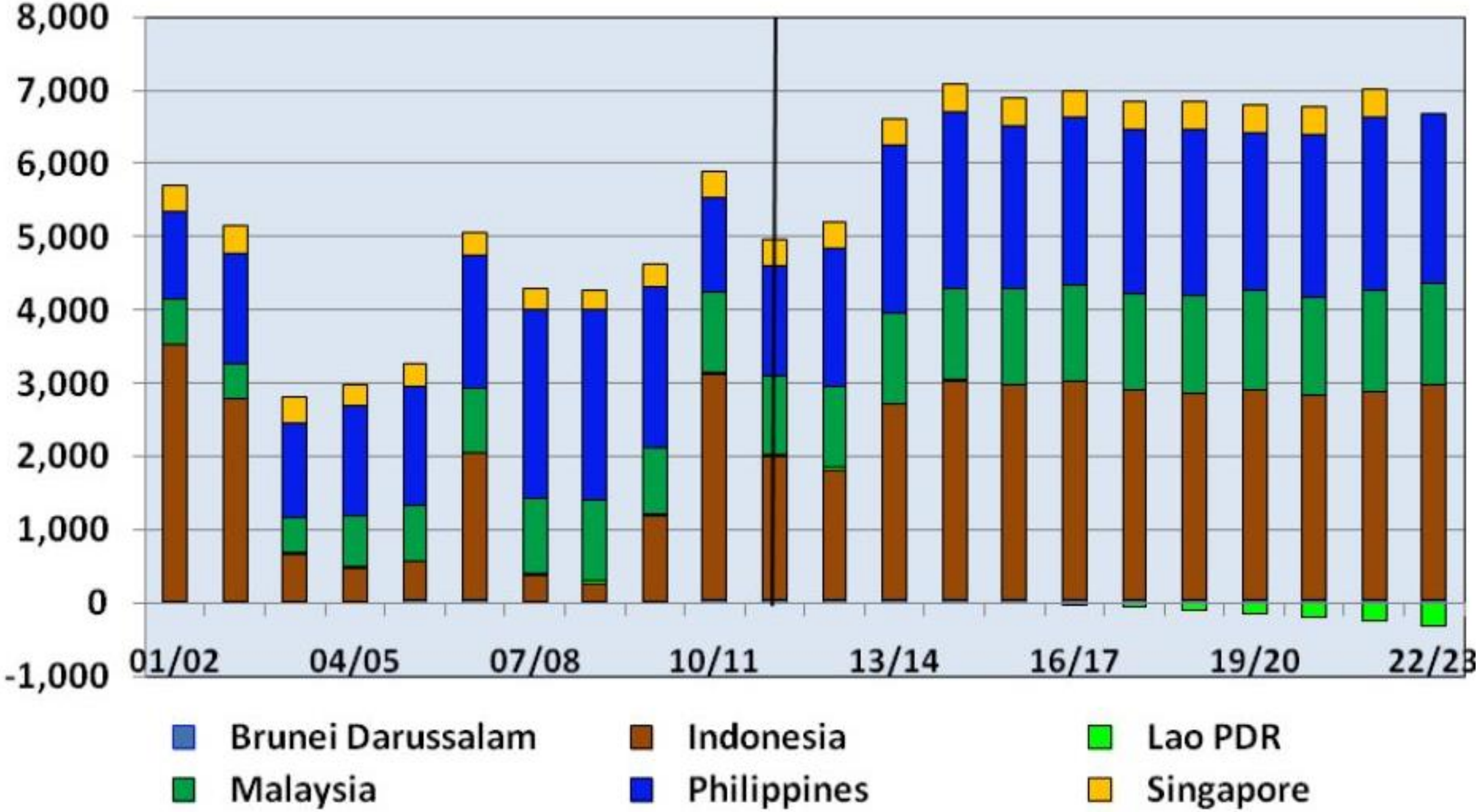


Wailes (2013) – rice prices 80% probability range USD360 to USD500/MT to 2022

Source: OECD-FAO Agriculture Outlook 2013-2022

Price trends serve as guide for investments and putting in hard and soft infrastructure for the different subsectors. Need to build in flexibility – flexible specialization. Oilseeds, meat and fish more favourable than for rice. So for rice need to target markets and move to higher quality rice. Recall 'moving up the value ladder'.

ASEAN Rice Net Importers, 2001-2022



Source: Wailes (2013) using Arkansas Global Rice Model (AGRM) and RICEFLOW Model

Rice Surplus in ASEAN and ASEAN+3 - 2013

Rice production and consumption in ASEAN

- ✓ Production 115 million ton
- ✓ Consumption 100 million ton
- ✓ Regional surplus 15 million ton
- ✓ Regional import 2.8 million ton

Regional export 15 million ton

- Major exporters

✓Vietnam 6.8 million ton
✓Thailand 6.7 million ton
✓Cambodia and Myanmar 2.1 mil.ton

ASEAN+3

- ✓ Production 270 million ton
- ✓ Consumption 257 million ton
- ✓ Regional surplus 13 million ton
- ✓ Regional import 7 million ton

Regional import 2.8 mil.ton

- Major importers:

✓Philippines 1.1 million ton
✓Malaysia 0.9 million ton
✓Indonesia 0.65 million ton
✓Singapore 0.16 million ton

Source: Derived from Grain: World Market and Trade, USDA, March 2014

REGIONAL RICE INTEGRATION – ALREADY HAPPENING

- **Dynamics of Global and regional rice markets – coupled with ASEAN and GMS connectivity – increasing involvement of private sector in treating ASEAN as a production and market base ahead of 2015.**

- **Productivity enhancement - along entire supply chain – beyond efficiency and cost of production, but also cost of milling/processing (electricity), transportation, export processing, financing.**

- **Significant cross-investments in mills and processing - pivotal role in transforming upstream and downstream segments – development of comprehensive supply chains and trading networks - investments in input supply, modern distributive trade (especially supermarkets) – various forms of contract farming and modalities of provision of agi-support services and foundation for enhancing productivity and international trade.**

Notable Examples of Cross-Border Investments

Viet Nam – 2000s – Golden Resources (Hong Kong); Kitoku (Japan) JV with Angimex in An Giang province

2007 – Vinafood JV with Iraqi Company in Cantho;

2012 – Vinafood JV with Singapore company in Dong Thap

Cambodia – QQ Rice – JV with Malaysian Co; CCAD – JV with Sinograin & Yunnan Pan Asia Ag Cooperation & Development Co; Long Grain Co – JV with UK and Indian investors; Batambang Rice Investment Co (BRIC) – JV with Singapore investor; Crystal Rice Kampuchae – JV with Asia Golden Rice (Thai) in Kampot

Lao PDR – Lao World (Thai); Sengarthit (French)

Myanmar – Myanmar Japan Rice Industry Co Ltd – JV between MAPCO and Mitsui – 4 Integrated Rice Processing Centers; JV Siacom (French) with XY Trading Co Ltd in Ayeyarwaddy.

[Besides rice also in livestock, fisheries, agri-food crops]

Key Messages:

1. Myanmar (exported 1.3 mil MT in 2013), Cambodia (exported 377,000MT) and Lao PDR (marginal exporter of Glutinous rice). All targeting to export more in coming years - Myanmar 2 million MT and Cambodia 1 million MT by 2015. Currently, insignificant % exports to ASEAN countries.

2. Dynamics of Global and regional rice markets and Trade – shifting - policy changes in India, China and Thailand – China hike in imports result from raising price subsidy over last few years (likely major importer of rice in future) – coupled with ASEAN and GMS connectivity increasing importance of Regional cross border investments and Trade – ASEAN as a common production base and market.

3 Increasing incidence of cross-border investments in all 3 countries - Thai, and Japanese in rice mills in Myanmar; Thai, Singapore and Chinese in Cambodia; Thai, French and Chinese in Lao PDR and regional rice and agri-food supply chains and trading networks

4. Ahead of AEC 2015, private sector already treating ASEAN as common production and market. Also Japan and China also involved. Can expect big net importers like Malaysia, Indonesia and Philippines (and Korea) to also follow suite

Key Messages (Cont'd):

5. Idea of OREC misplaced – rice is NEITHER oil nor wine. More pragmatic to develop a regional consortium of exporting and importing countries

6. Therefore timely to consider Regional Rice Integration buttressed in ASEAN but also involving China, Japan and Korea – (ASEAN plus three') – building on and having a more holistic approach to involve not only exporters but also importing countries as well as building on ASEAN Plus Three Emergency Rice Reserve (APTERR) in relation to regional sustainable food security – getting governments to trust the regional market. Regional arrangement fashioned along lines of Chiang Mai Initiative?

7. Consider various basic considerations, options and future prospects:

- B2B Initiated and driven , G2G facilitated
- Basics – after gaining concurrence on 'Why' and 'what' needs to be done – open for stakeholder dialogue/engagement on 'how', 'when', 'where' and by 'who'?
- Who is most suited to drive this as well as provide Policy guidance and oversight?

THANK YOU !

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