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Food Security Now: New Norm or False Dawn?

By Paul P.S. Teng

Synopsis

The world is experiencing a situation of slower economic growth and lower commodity prices translated into relatively lower Food Price Indices for many countries. This “new norm” benefits urban consumers but poses potential problems for agribusiness and rural producers, since, inter alia, it discourages them to invest. Will this “new norm” last? Or will it prove a “false dawn”?

Commentary

FOOD SECURITY as a matter of national concern cannot be considered in isolation from the broader economic, social and physical environments. In recent years, many countries have experienced slower economic growth, affecting disposable income levels and consequently consumer spending and food consumption patterns. The physical environment has likewise experienced challenges from climate events and continued loss of arable land and freshwater resources.

During the same period, many food commodity prices have also fallen. While this makes food more affordable, it also reduces farmer incomes and reduces investment in infrastructure and technology needed to improve overall productivity. A vicious cycle may ensue in which reduced productivity can further reduce farm incomes and a country’s agricultural competitiveness.

Lulled Into Complacency?

That there has been no discernible challenge to food security in the recent past should not be taken to mean that ASEAN countries have become food secure. In a new normal, ASEAN particularly and Asia generally has shown slower economic

growth which affected the incomes of many of those who are food insecure. But with lower commodity prices, food prices generally had also declined. This situation, however, could potentially be a false dawn if events cause food prices to rise irrespective of economic trends and households again have to endure food insecurity.

An index which tracks food security relative to macro-factors is the Rice Bowl Index (RBI) ©, which provides a measure of a country's ability to withstand disturbances to its various food security dimensions - availability, physical and economic access, utilisation and stability. The latest RBI © Report, titled "New Norm or False Dawn" released in late 2015, showed that over the preceding 12 months, the food security robustness of ASEAN countries had generally improved, but at a slower pace than in previous years.

The RBI ©, further concluded that in 2015, while Vietnam, Thailand and Malaysia may be considered as relatively robust in their food security preparedness, other ASEAN countries were not, namely the Philippines, Indonesia and Myanmar. Most ASEAN countries cannot afford to fall into a complacency trap because there has been no threat of any supply disruption in the recent past. Certainly, the vulnerability of countries such as Singapore and Brunei Darussalam to any prolonged supply shutdown of an important food item remains real.

Warning Signs - A "False Dawn"?

Many threats remain to destabilise food availability in the short term, while over the mid to longer term, challenges linked to climate change affect the ability of countries to be food secure.

Warning signs indicate that for critically important food to Asia such as rice, the "new norm" may be a transient one and become a "false dawn" even faster than expected. The International Rice Research institute (IRRI) in an early 2016 report showed that while global rice commodity prices have declined in consecutive years since 2013, the huge stocks of yesteryears have also declined sharply, especially in the top exporting countries of Thailand, Vietnam and India. By the third quarter of 2016, the combined rice stocks of India and Thailand have been projected by IRRI to be around 70% lower than in 2013 (a peak of 41 Million tonnes).

The same IRRI report has warned of the impending effects of El Niño, expressed through exceptional dry periods, to lower rice yields. So the near term is likely to see a tight supply situation, with a reminder that there could be a repeat of the 2007-08 price hikes which precipitated general food availability crises and civil disobedience in over thirty countries.

The false dawn may be further amplified through a possible La Niña effect of excessive moisture causing flooding later in 2016.

So going into 2017, much will depend on whether the upcoming rice growing seasons will be affected by unexpected severe weather events, and how governments respond to them. Governments will need to keep their food security situation balanced by a broader view and not over-react to temporary price hikes or

supply disruptions. Within ASEAN, the countries which can impact greatly on others from the actions they take are Indonesia, Philippines, Thailand and Vietnam by virtue of population and agricultural production.

Thailand and Vietnam play important roles in global rice supply and are therefore barometers of preparedness to meet expected threats to rice security. India, the other big rice exporter, portends a worrisome situation caused by uncertainty about the upcoming wet (monsoon) season crop. The performance of this rice crop may well decide if India continues to export rice.

Preparing For The Expected

In the short-term, rice-eating countries in particular need to do forward planning and take anticipatory action. One such action is to ensure that their own rice stocks are sufficient to buffer any short term (6 -9 months) disruption to the rice supply chain. Forward contracts on supply may not be as helpful if there is a global rice shortage, however, transient.

The current situation of relatively low commodity and food prices suggests that there is a “food security dividend”. This can be derived by governments to invest in improving the preparedness of infrastructure, technologies and farming communities to respond to expected and impending challenges. Climate change adaptation measures, such as the development of Climate Smart Agriculture practices like drought-tolerant or submergence-tolerant crop varieties, need to be given high priority.

Accompanying this is the needed improvement in the ease of doing business to facilitate investments, and increased utilisation of mobile technology such as those championed by Accenture © for improving farm and farmer productivity for pro-active action and also responses to emergencies or calamities.

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