



Increasing Food Prices and its Impact on Food and Nutrition Security

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Background & Rationale

- Both the Philippine Development Plan (PDP) 2023-2028 highlight the need for and President Marcos Jr's. 8-point Agenda highlights **food security** and **food price stability**
- PDP Target: Food inflation of **2.0%** for 2024-2028
- Phl food inflation as of September 2023:
8.2% (Y-on-Y) and 2.4% (M-on-M)



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Research Question & Objectives

How can policymakers effectively intervene in the agricultural sector to ensure food security and preserve households' purchasing power when it comes to food and agricultural goods?

Questions

- How do high food prices contribute to overall inflation and how do they threaten food security?
- How does the effect of high food prices on food security and welfare vary across households according to income levels?
- What are the domestic and international factors which contribute to rising food prices in the country?

Objectives

- Determine the impacts of high food prices and price risks on households, and on food and nutrition security;
- Determine and explain the factors contributing to high food prices in the country;



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Research Question & Objectives

How can policymakers effectively intervene in the agricultural sector to ensure food security and preserve households' purchasing power when it comes to food and agricultural goods?

Questions

- Which stages of agricultural supply-chains and value-chains contribute most to the increased food prices?
- What are the non-tariff measures imposed on various industries in the agricultural sector and how relevant are they to agricultural supply and pricing in the country?

Objectives

- Examine the price-gap between food prices and farmers' income to identify the highest-cost stages across industries in the agricultural sector;
- Evaluate the presence and relevance of non-tariff measures to Philippine food prices



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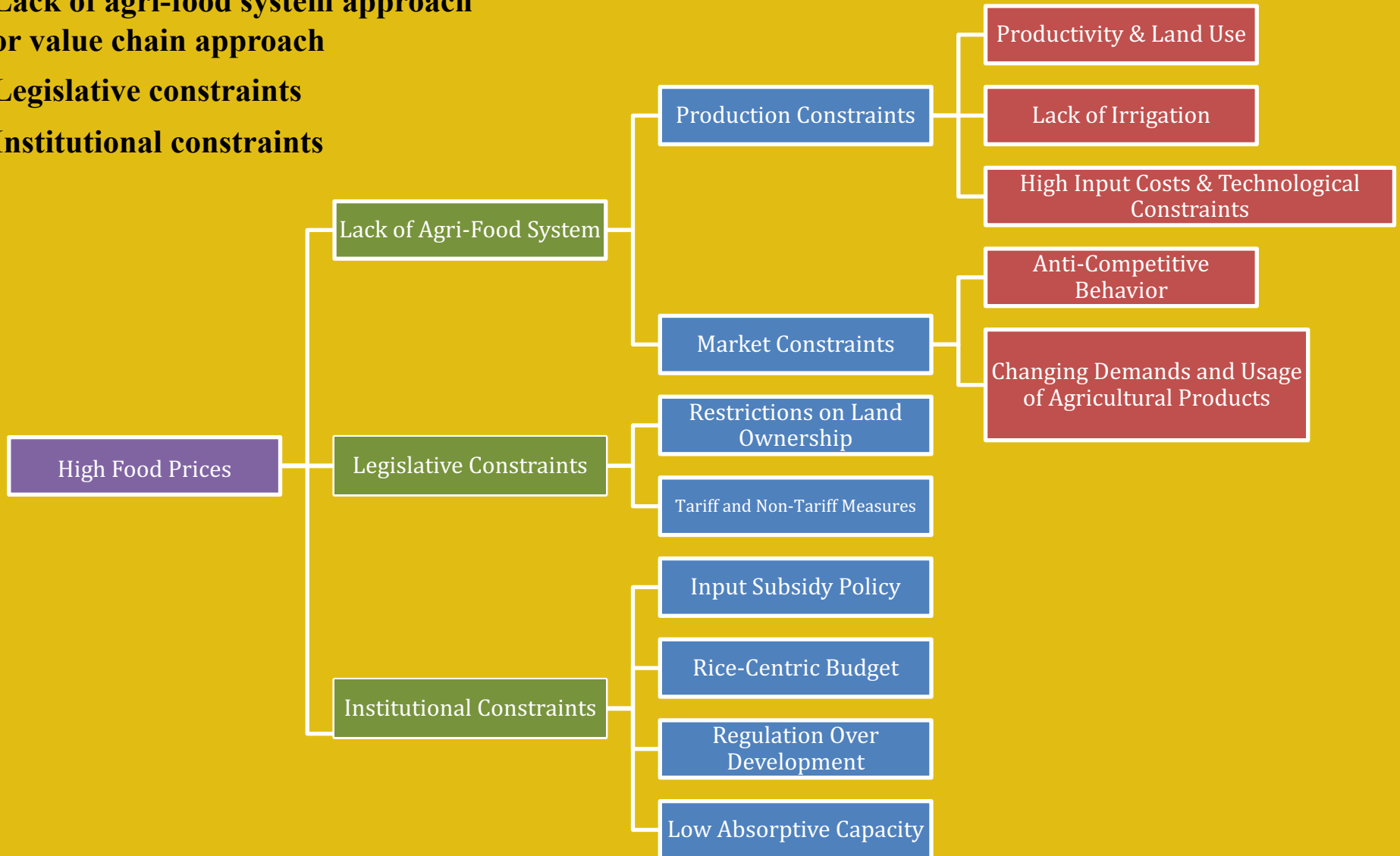
Conceptual Framework

These factors can be categorized as:

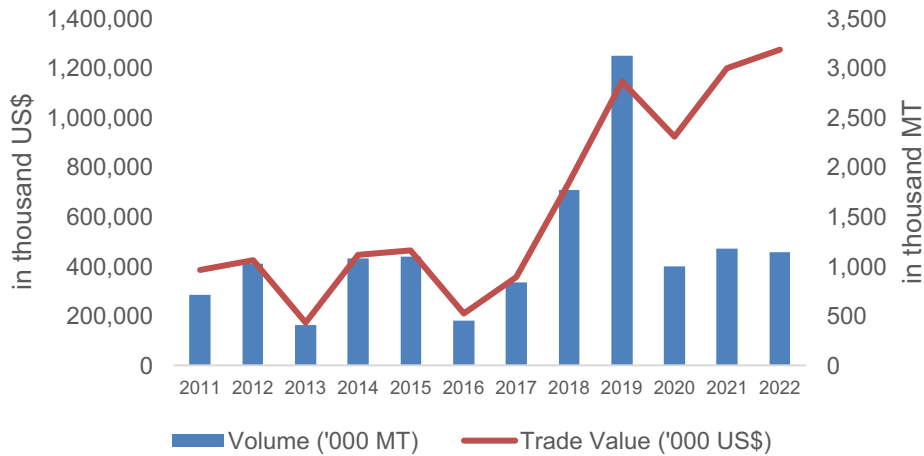
(a) Lack of agri-food system approach or value chain approach

(b) Legislative constraints

(c) Institutional constraints

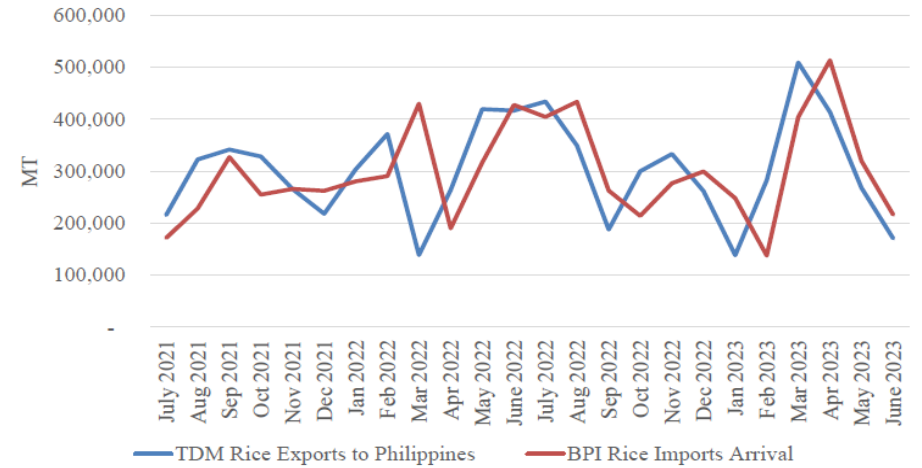


Value and Volume of PHL Rice Imports



Source: UN COMTRADE

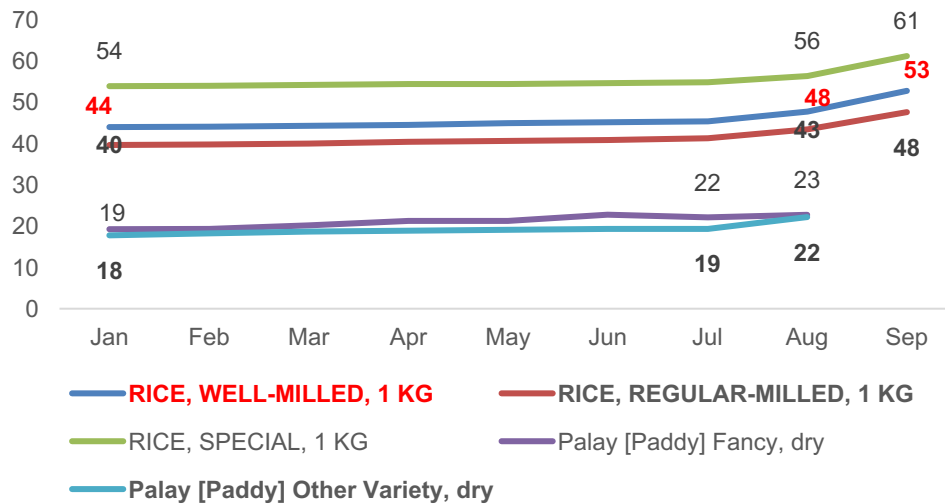
Rice Imports Data Comparison (MT)



Sources: [Department of Agriculture - Bureau of Plant Industry](#); and Trade Data Monitor, LLC

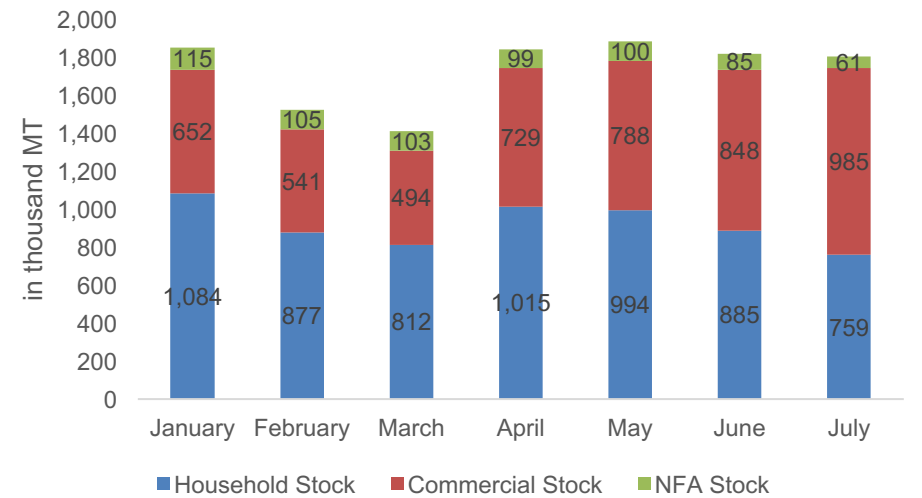
Lifted from (USDA) Foreign Agricultural Service – Manila September 2023 Report

PHL Price of Palay and Commercial Rice (Php/kg)



Source: PSA: farm gate prices of palay (21 Sep 2023); price of commercial rice (05 October 2023)

2023 PHL Total Rice Stock Inventory, by Sector

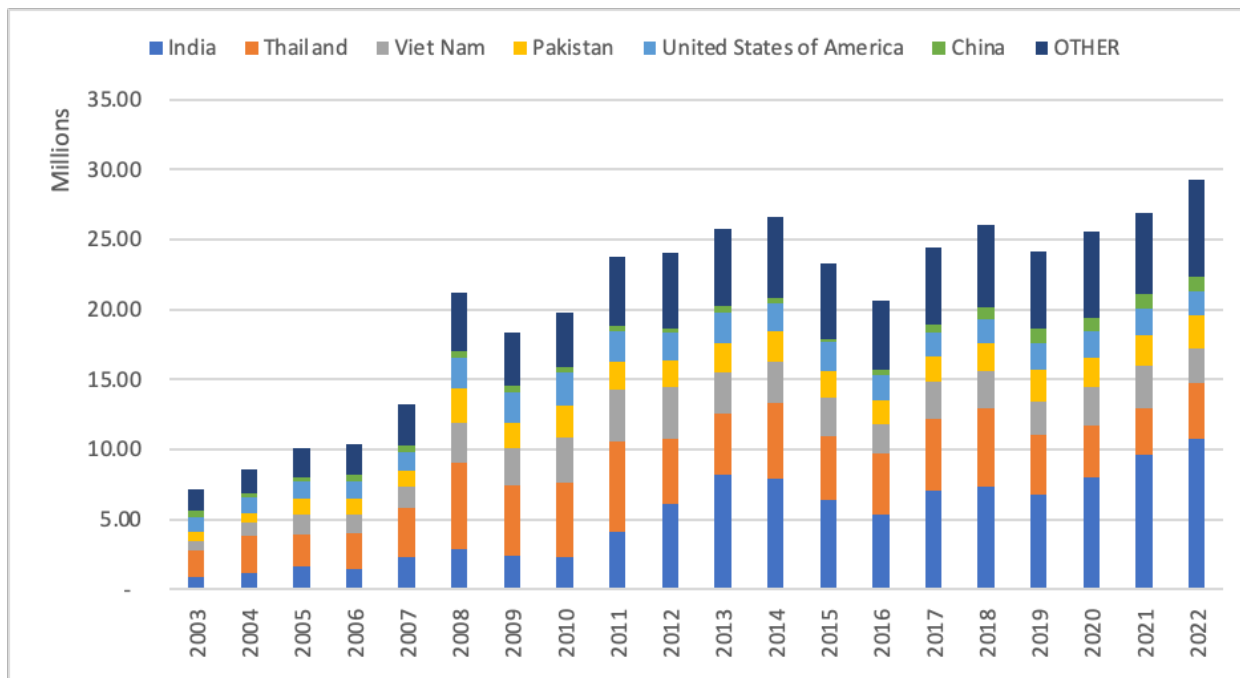


Source: PSA (05 October 2023)



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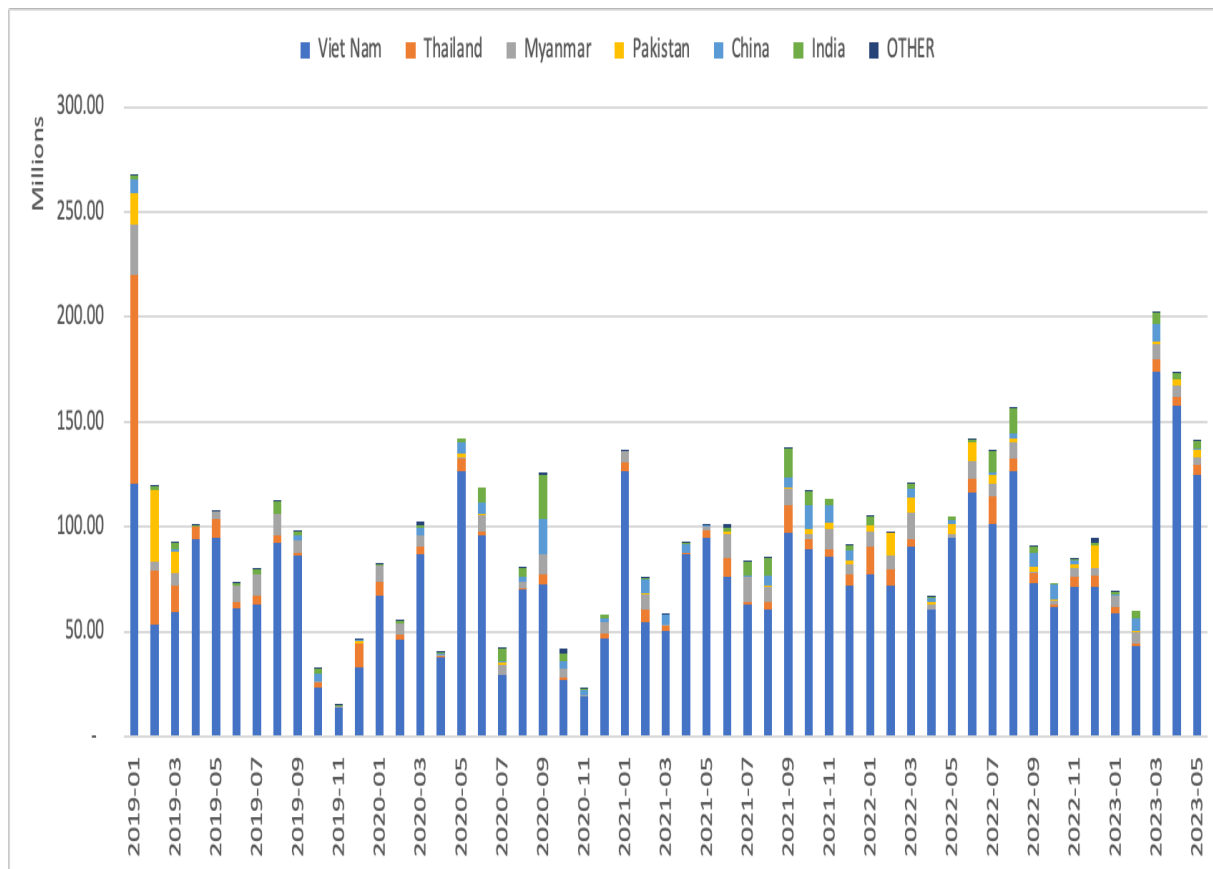




Share in World Rice Exports (2003-2022) (%)

Source: International Trade Centre (2023)

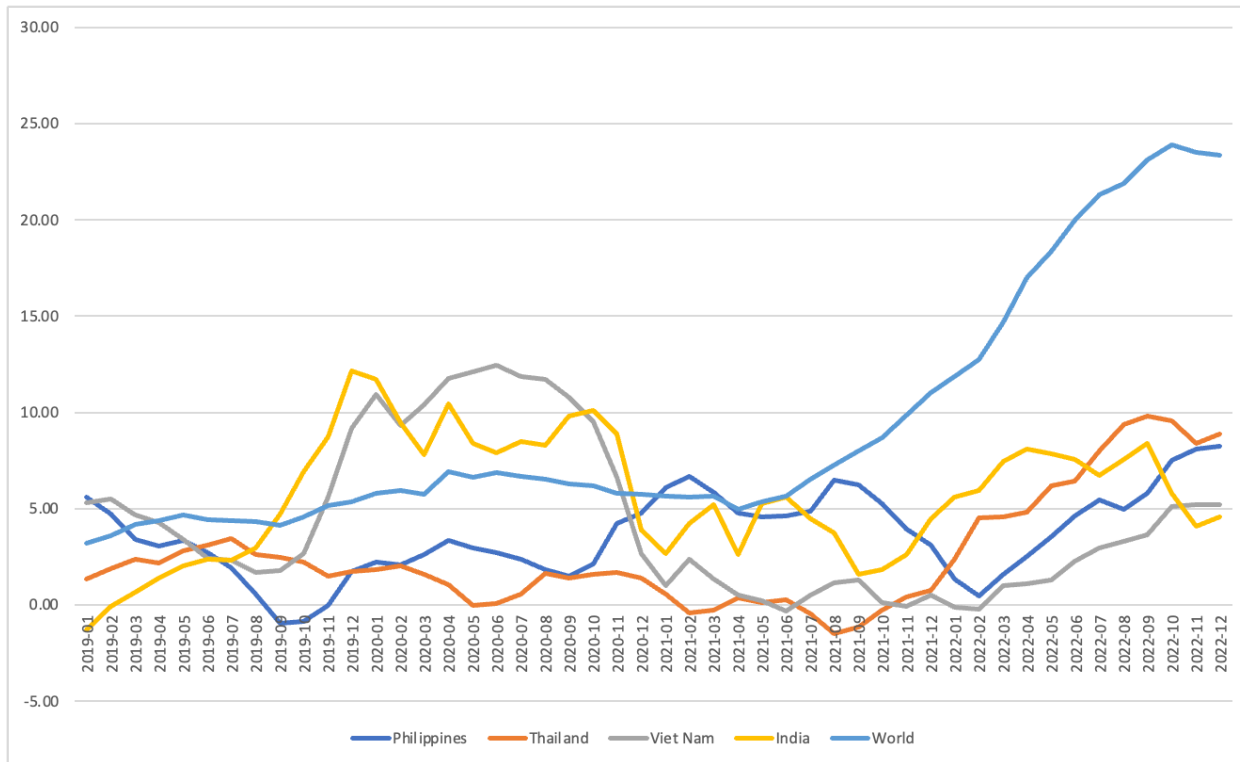
- Historically, India dominates the world market for rice
- India can be considered a “big economy” or a “big player” when it comes to rice; its trade activity can affect world trade and prices of rice



Share in Philippine Rice Imports (2019-2023) (%)

Source: International Trade Centre (2023)

- While India dominates the World Market, the Philippines sources over 80% of its rice supply from Viet Nam and some from Thailand
- Philippines more directly affected by movements in Viet Nam's supply, trade, and prices

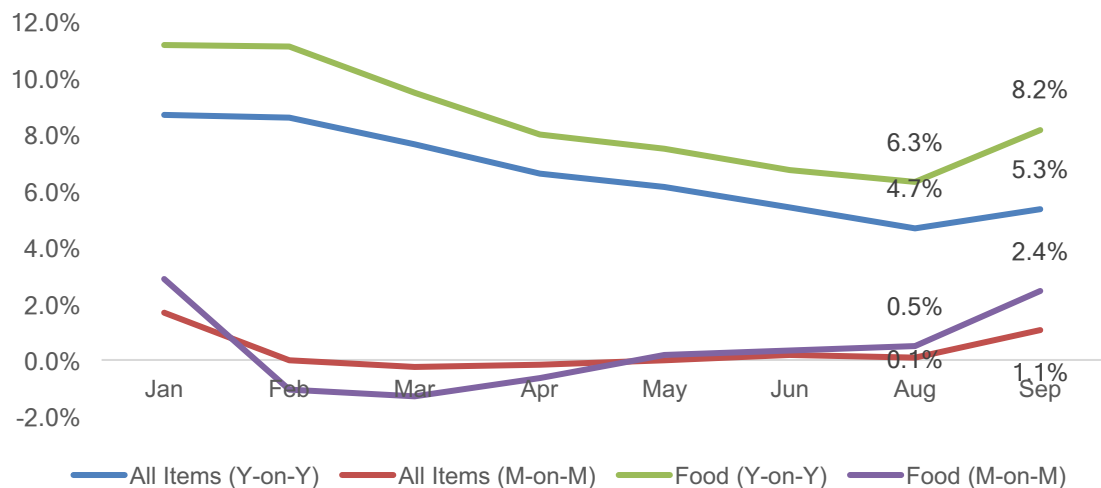


- World price for rice has steadily increased; supply shortages, the Russia-Ukraine war, and other events have affected the supply chain
- ASEAN and India rice prices have increased, but by a relatively smaller amount. Philippine and Thai rice prices have increased faster than Viet Nam or India

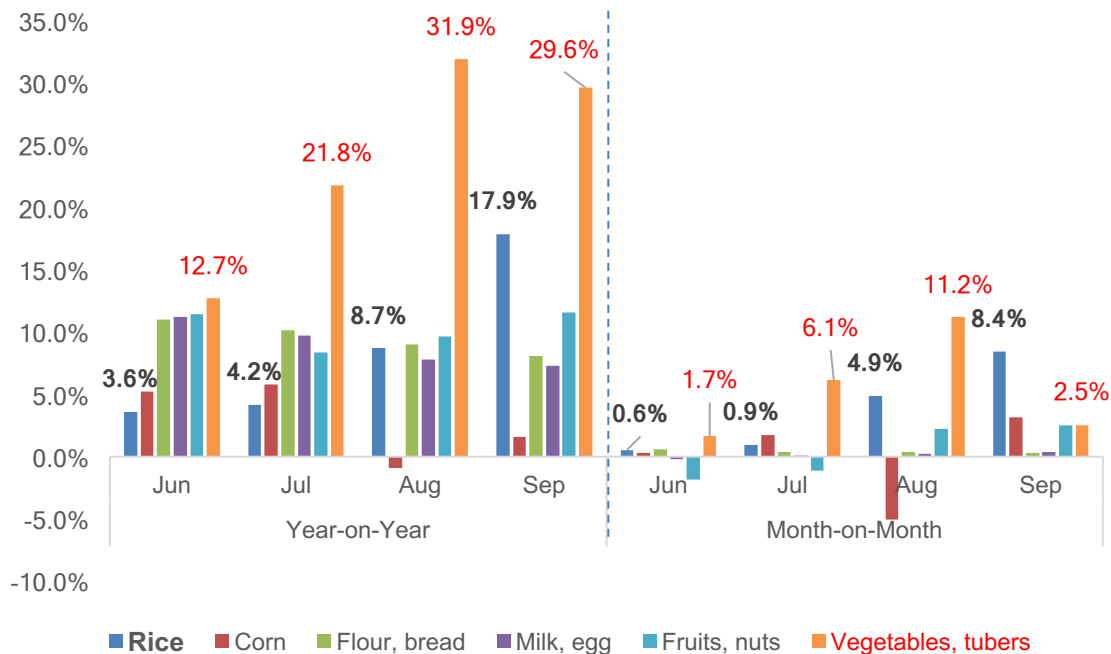
Rice Inflation, 2015=100, 2019-2022

Source: International Trade Centre (2023)

2023 PHL Inflation Rates

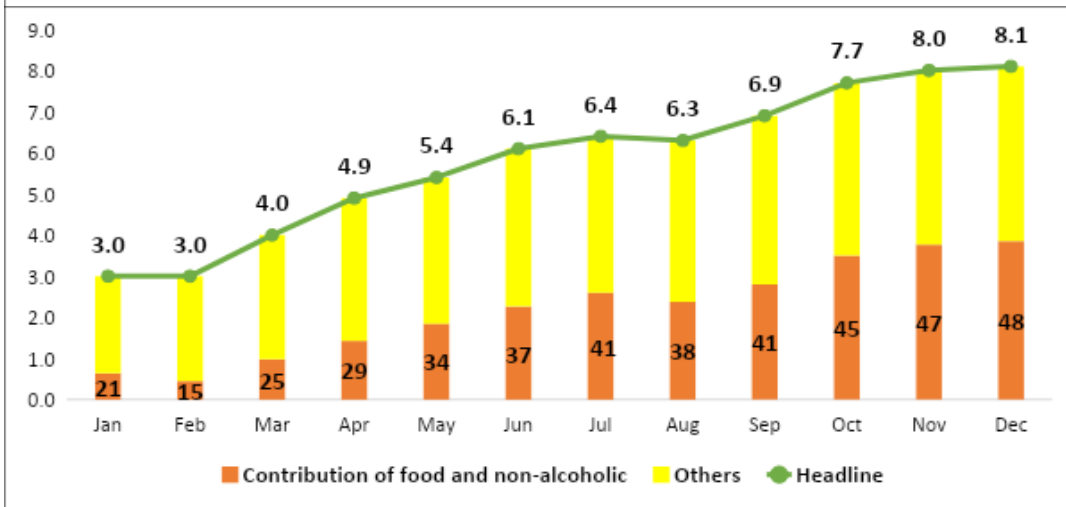
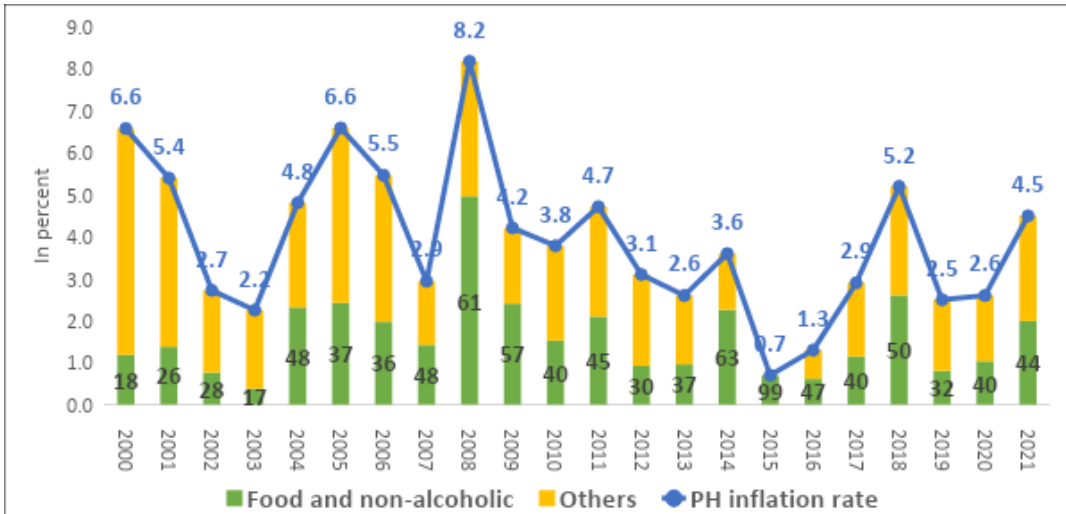


- Food inflation increased from August to September 2023.



- Y-on-Y inflation rates for vegetables and rice were relatively high in the last four months.
- While M-on-M inflation for vegetables declined from 11.2% in Aug to 2.5% in Sep, it rose from 4.9% to 8.4% for rice.

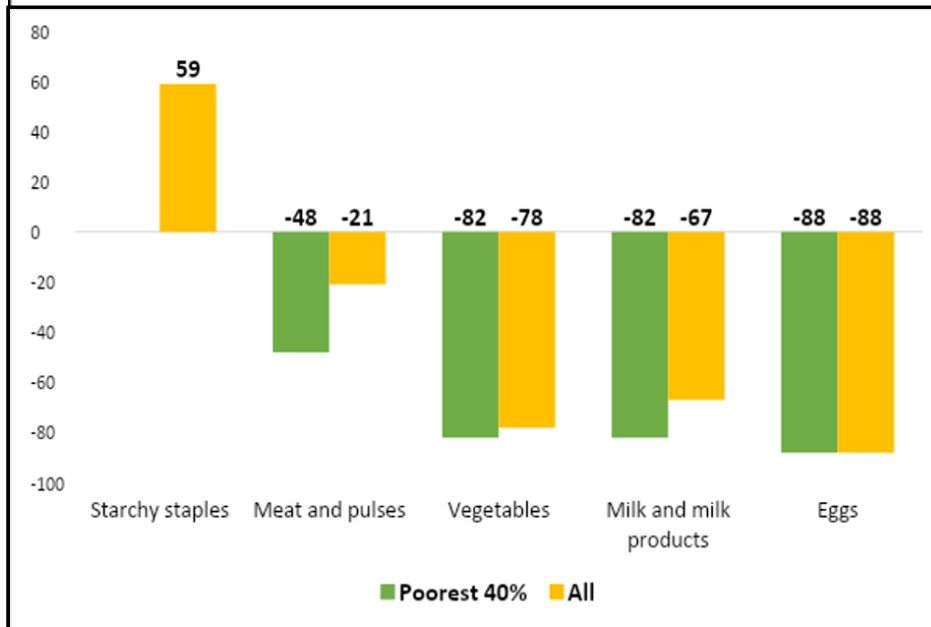
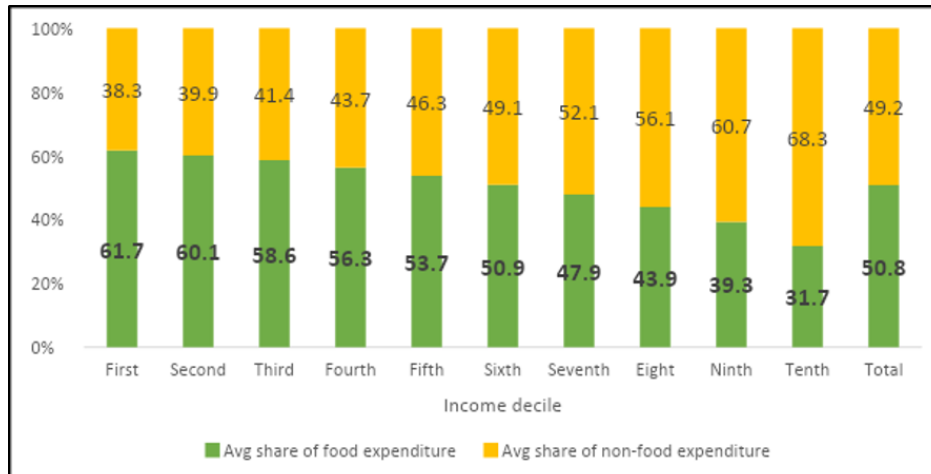
Note: [CPI \(2018=100\)](#); Authors' own computation.
Source: PSA (5 Oct 2023)



Contribution of Food and Non-Alcoholic Beverages to Headline Inflation, 2000-2022

Source: Philippine Statistics Authority (2023)

- Historically, food inflation contributes most to headline inflation
- HIGH FOOD PRICES** translates to **OVERALL HIGH INFLATION**
- Among these, inflation in the price of **meat and fish are the highest contributors to food inflation** (23% and 22% share in food inflation)

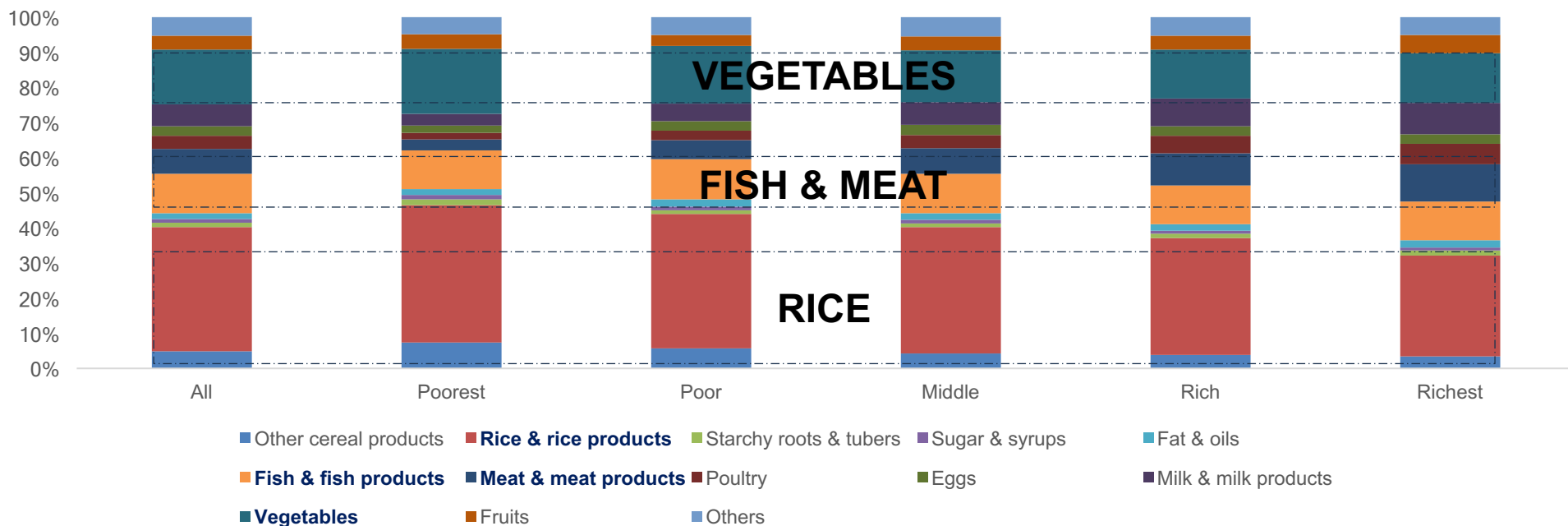


- Food prices is intertwined with food security and poverty alleviation
- Poorest households spend approximately 60 percent of total income on food; increases in price will further eat into their budget
- Rising food prices will lead to malnutrition and other similar incidences

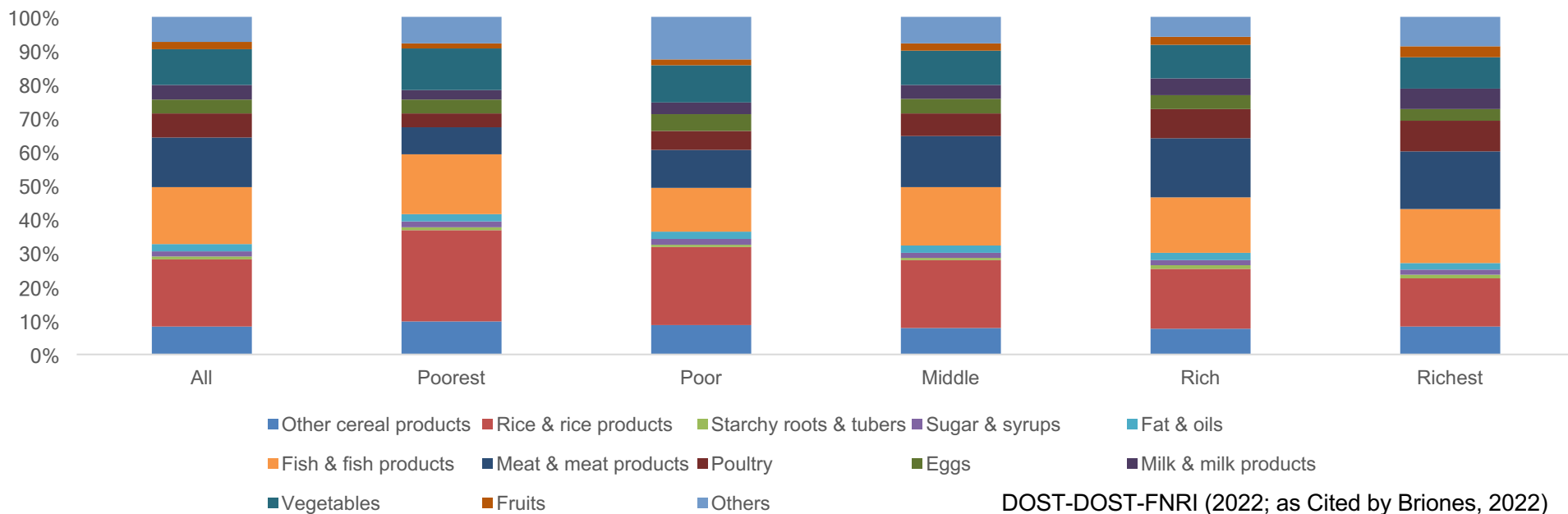
Proportion of Food Expenditure; Proportion of Households Consuming in Excess of Recommended Intake

Source: FIES-LFS; Briones (2022)

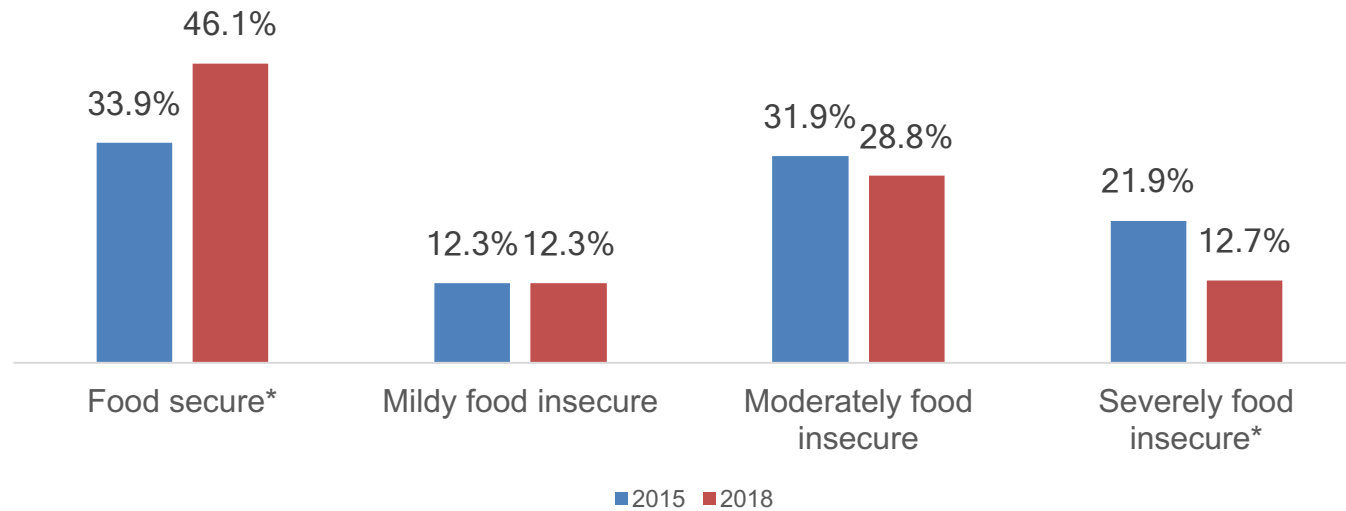
Proportion of mean one-day household food consumption (gms/day), by food group and wealth quintile, 2018



Expenditure shares of major food group, by wealth quintile, 2018



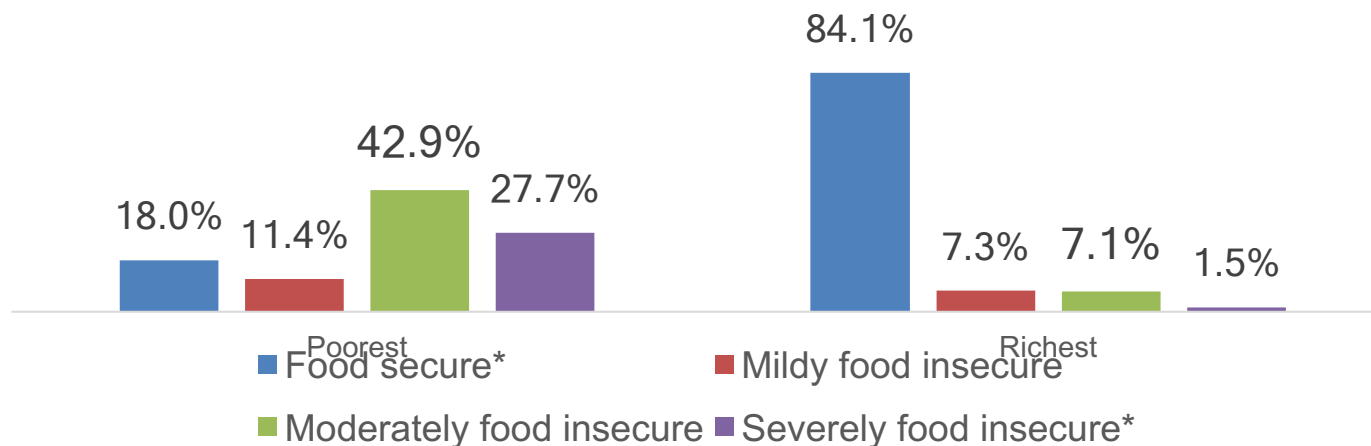
Percentage of households by food security status, 2015 vs. 2018



Percentage of food insecure households: 66.1% in 2015 vs. 53.9% in 2018

*Statistically significant at 5% level of significance. Source: 2018 ENNS (DOST-FNRI, 2019)

Percentage of households by food security status and wealth quintile, 2018

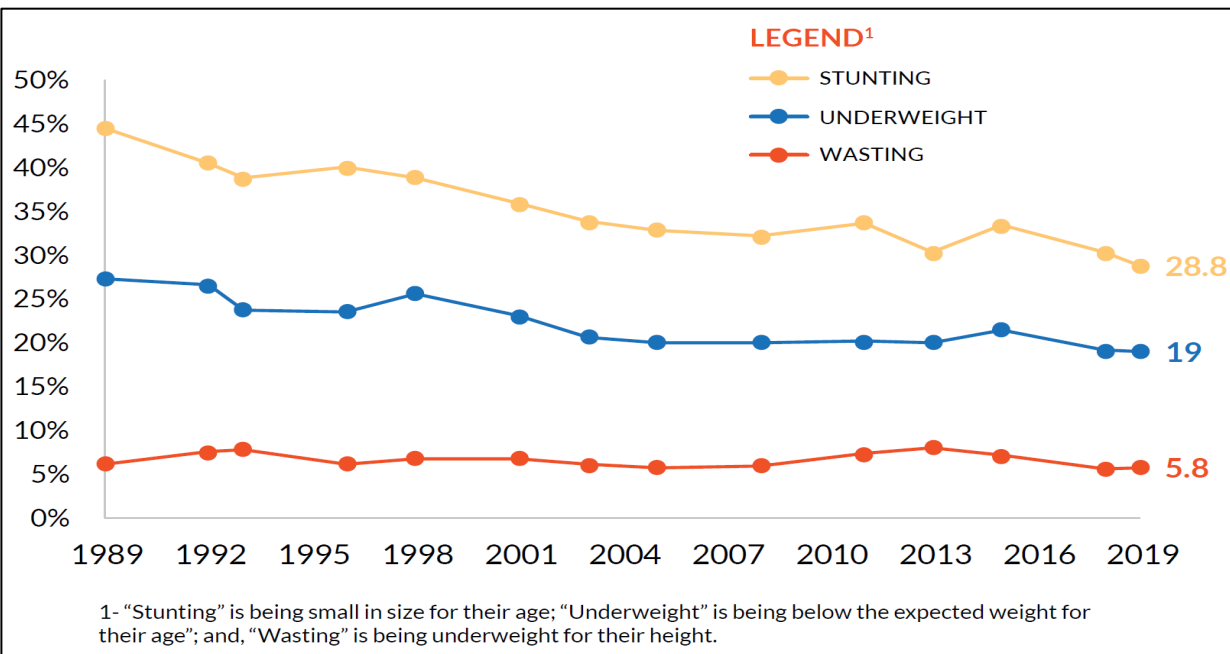


Source: 2018 ENNS (DOST-FNRI, 2019)

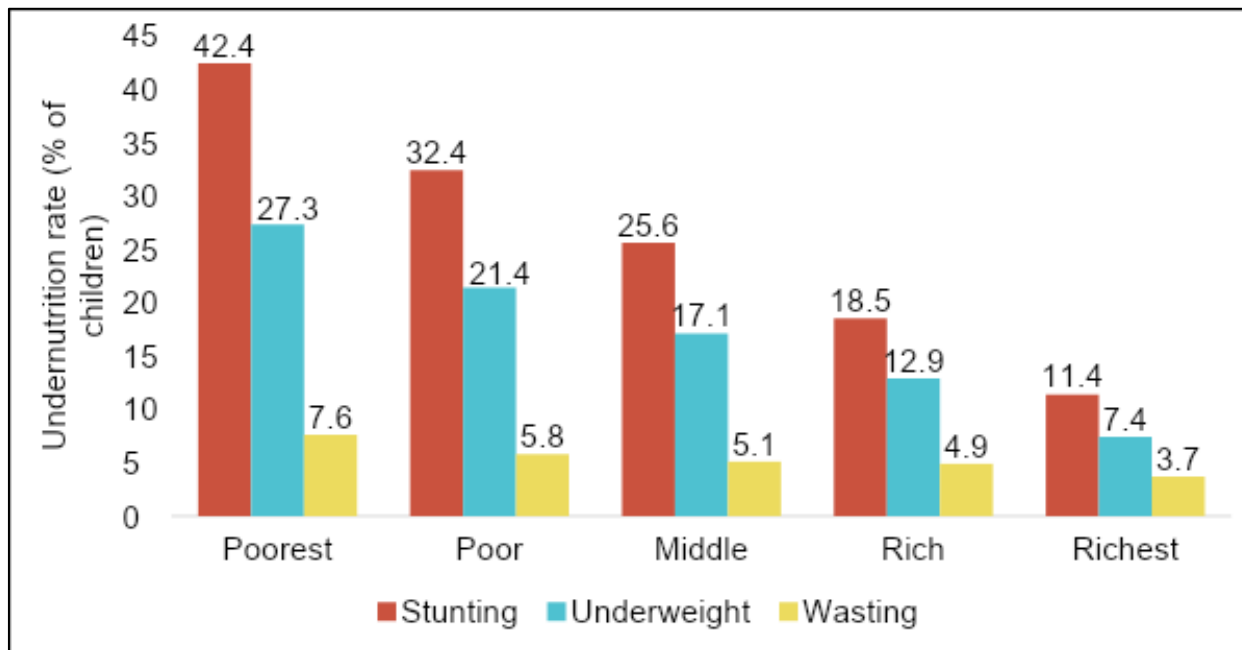


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Malnutrition trends in the Philippines for children under five y/o, 1989 - 2019 (in percent)

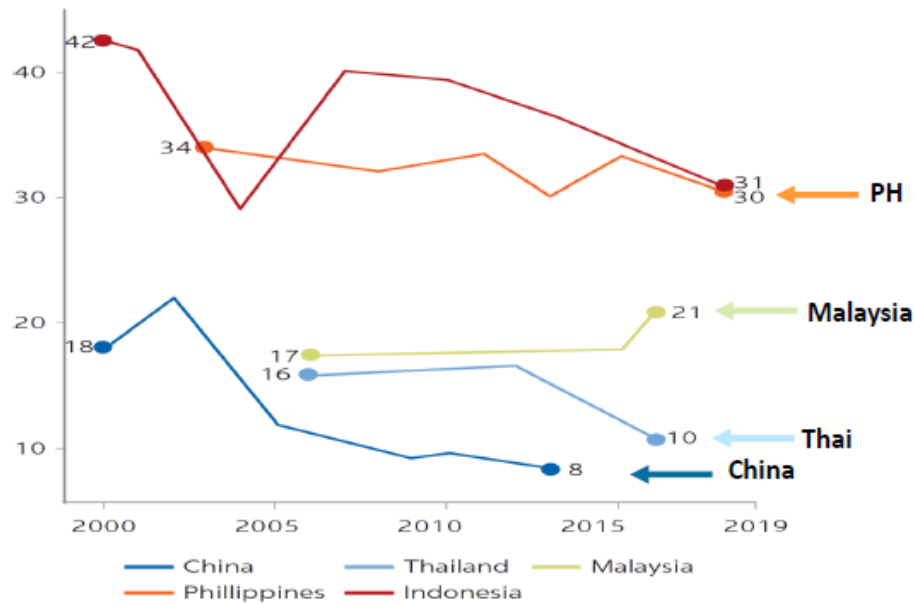


Philippine malnutrition rates for children under 5y/o, by wealth quintile, 2019

Source: Food and Nutrition Research Institute (FNRI) and World Bank (2022)

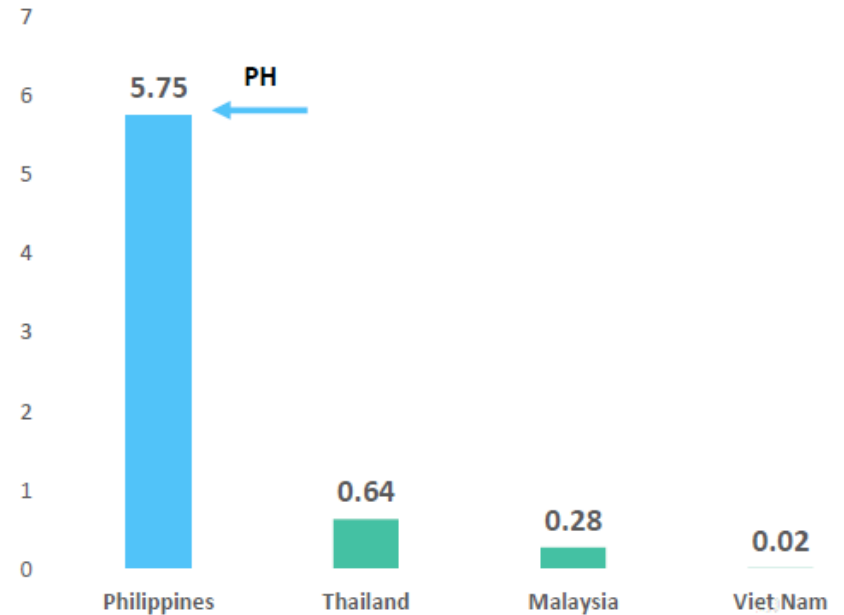


Prevalence of stunting in selected countries from 2000-2019 (in percent)



Source: World Bank (2020), UNICEF, and WHO

Malnutrition in selected ASEAN countries in 2018 (death rate per 100,000)



Source: WHO

As a result, the country's prevalence of stunting and malnutrition death rates are significantly higher than our ASEAN neighbors.

Preliminary Conclusions & Recommendations

- **International Environment:**
 - Philippines is a **small open economy**
 - Vulnerability to international price and supply shocks
 - Indirect effects of world market price increase (India export ban; Russia-Ukraine war) drags up rice prices
 - Note that the aforementioned are **short-term** shocks; institutional/legislative reform (RTL) should not be reactive
 - Review improvement of rice production (domestic) or lower import costs (international) to lower rice prices



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Preliminary Conclusions & Recommendations

- No **silver-bullet solution** to deflating rice prices – requires multi-sectoral, systemic, institutional changes (see Conceptual Framework)
- Policy shift towards **development** rather than **regulation**
- **Address Production Constraints:**
 - Set expansion targets for irrigation (NIA) or encourage investment into irrigation channels to accelerate expansion of service area.
 - **Short-term:** monitor pesticide and fertilizer price; provide support as necessary. **Medium- and Long-Term:** Develop more resilient crops and reduce dependence on high-cost inputs



Preliminary Conclusions & Recommendations

- Temporary reduction of tariff rates and increase MAV on key agricultural commodities and easing of import QRs (fish, sugar, etc.)
- Strengthen ASEAN trade relations to ensure rice availability and affordability, and ratification of RCEP
- Seek bilateral agreements on key agricultural inputs (i.e., fertilizer) and commodities (i.e., rice, wheat, corn, sugar, onion, etc.)
- Provision of unconditional cash assistance to subsistence farmers as identified in the RSBSA
 - Unconditional transfers for farmers that could increase their productivity through tech dev't.; and as for the consumers, target those who are at the bottom 20%, instead of price controls that could worsen the shortage



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Preliminary Conclusions & Recommendations

- Food inflation could be a major risk factor for child malnutrition; thus, policies and investments of govt resources should be aligned with transforming food systems to achieve stable food prices
 - E.g., scaling up of investment in climate-smart agricultural R&D, nutrition surveillance and early warning systems to monitor and treat severe and acute malnutrition
- For surveillance, priority would be the pregnant women and infants.
 - In the event of food transfers, focus will be to give nutritious food transfers to the first 1000 days of infants and the children.



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THANK YOU!