Price and Food Security Update Philippines

May 2013 || Issue 17

Highlights

- Annual headline inflation rate was reported at 2.6 percent in April from 3.2 percent in March.
- CPI for all items and food and non-alcoholic beverages index increased by 0.2 percent and 0.1 percent, respectively.
- Paddy and corn production for the first quarter of 2013 are higher than their 2012 levels by 4.5 percent and 11.4 percent, respectively.
- Results of the Social Weather Stations (SWS) survey for the first quarter of 2013, indicate that families experiencing involuntary hunger increased from 19.2 percent from 16.3 percent in December 2012.
- Results of WFP's survey in Central Mindanao, show that 1 out of every 5 households have poor food consumption.
- FAO's implementation of the Regional Rice Initiative Pilot Project supports the Department of Agriculture's Food Staples Sufficiency Program .

Main Price Trends

Consumer Price Index

In April 2013, the annual headline inflation rate was reported at 2.6 percent from 3.2 percent in March. The year-to-date inflation was at 3.0 percent.

On a month-on-month basis, the CPI[1] for all items increased by 0.2 percent (Figure 1). The uptrend was attributed to the increases in the prices of food and non-alcoholic beverages (from -0.1 to 0.1 percent). Increases in the prices of corn, fruits, vegetables, meat and selected condiments were observed in most of the regions .

The index for other goods and services, except for education and communication showed a slow or zero growth. Transport index decreased by 0.2 percent.

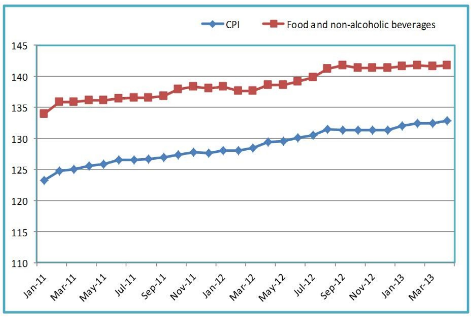

Figure 1. Consumer Price Index and Food Price Index (2006=100), Philippines, January 2011-April 2013

Fuel Prices

As of April 30, 2013, after two consecutive weekly rollbacks, the common prices of diesel and gasoline were reported at Php 38.30 per liter and Php 49.10 per liter, respectively (Figure 2). The year-to-date net decrease in gasoline was at Php 2.05 per liter and Php 2.52 per liter for diesel.

The retail price of liquefied petroleum gas (LPG) ranges from Php 610 to Php 745 per 11-kg cylinder. A decrease in the retail price of LPG was observed since January 2013, with a total decrease estimated at Php 9.29 per kg.

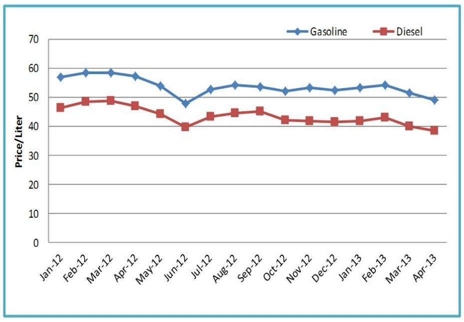

Figure 2. Average monthly prices of gasoline and diesel, January 2012-April 2013

[1] The Consumer Price Index is an indicator of the change in the average retail prices of a fixed basket of goods and services commonly purchased by the average Filipino households for their day-to-day consumption relative to a base year. The CPI data in this update was drawn from the monthly report of the National Statistics Office which uses 2006 as the base year.

[2] Food and non-alcoholic beverages index in the 2006-based CPI has the highest weight which makes up 38.08 percent of the fixed basket of goods and services.

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With support from

Main Staple Food Commodity Prices

- The preliminary data of the Bureau of Agricultural Statistics for April 2013 shows that the average farmgate prices of paddy at Php 16.37 per kilogram is higher by 1.71 percent than the average prices in March.

- A decrease of 0.03 percent on the average retail price of regular milled rice was observed, from Php 31.97 per kilogram in March to Php 31.96 per kilogram in April (Figure 3).

- Adjustments in the prices of meat are within normal fluctuation. The decline in the retail price of fish (*galunggong*) ranges between 25 to 33 percent in the sentinel trading centers of Regions 1, 3, 4A, 8 and 10. Large variation in the retail prices of fruits and vegetables was observed across the country. Average retail prices of cooking oil and sugar remain stable.

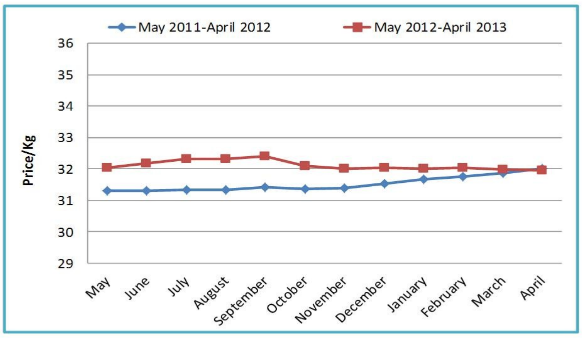

Figure 3. Average monthly retail price regular milled rice, Philippines, May 2011– April 2013

Food Production

Paddy and Corn

Paddy and corn production for January to March 2013 surpassed their 2012 levels by 4.5 percent and 11.4 percent, respectively. On the other hand, the April to June 2013 paddy and corn outputs indicate lower levels compared to their respective records in 2012. The movement of cropping to the first quarter, inadequate water supply, intense heat and shifting to other crops may bring about reductions in harvest area and yield in the second quarter of 2013. These may result in lower outputs of both crops in the first half of 2013.

The January-June 2013 paddy production may reach 7.879 million MT. This is 0.2 percent or 12.7 thousand MT lower than the 2012 output of 7.892 million MT. Harvest area may expand to 2.047 million hectares from last year's record of 2.036 million hectares. However, yield may decrease by 0.7 percent from 3.88 MT per hectare in 2012 to 3.85 MT per hectare this year.

Insights on Food Security at the Household Level

Results of the Social Weather Stations (SWS) survey covering the first quarter of the year indicate that the number of families experiencing involuntary hunger increased to 19.2 percent from 16.3 percent reported in December 2012. In Mindanao, the families experiencing hunger rose from 20 percent to 29.2 percent (1.4 million families). The Government and economists are in agreement that structural reforms are necessary to address the rising and persistent poverty in the country. This would mean expanding the coverage of social welfare packages (i.e. Sajahatra Bangsamoro social welfare package) and creating decent jobs every year.

WFP Price Monitoring in Central Mindanao

Retail prices of local food commodities were gathered monthly in selected cities and provinces in Central Mindanao where WFP has ongoing project implementation. For the national price estimates, data from the Bureau of Agricultural Statistics were used.

Movement in the average retail prices of regular milled rice on a month-on-month basis is within normal fluctuation in all the provinces except in Maguindanao (Table 1). Above normal price fluctuation in the price of potato was observed at the national level and in most of the provinces. Retail prices of meat and poultry are generally stable across the provinces included in the survey.

There were no adjustments in the nominal wage rate for workers engaged in unskilled labor in Central Mindanao amidst the fluctuating cost of basic commodities. Purchasing power of households, measured through terms of trade, remains stable from March to April 2013.

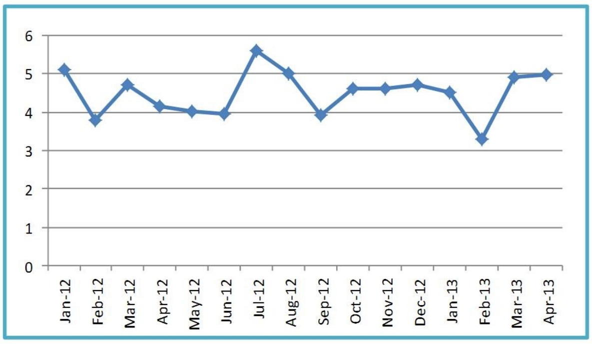

Figure 4. Terms of Trade for unskilled labor and rice, January 2012-April 2013

Table 1. Average retail prices of selected commodities in the Philippines and Central Mindanao, April 2013

Food item	Country/ Province	April 2013	Price Change (%)			Direction of change		
			1 month	3 months	1 year	1 month	3 months	1 year
Rice, regular milled	Philippines	31.96	-0.03	-0.16	-0.13	⇨	⇨	⇨
	Lanao del Norte	28	-	-7.14	-21.43	-	⇨	⇩
	Lanao del Sur	34	-2.9	-14.7	-	⇨	⇩	-
	Maguindanao	34	5.88	5.88	0	⇧	⇨	⇨
	North Cotabato	31	0	3.23	-12.9	⇨	⇨	⇨
	Sultan Kudarat	31	0	0	-	⇨	⇨	-
	Cotabato City	32	-3.13	6.25	-12.5	⇨	⇨	⇨
Potato	Philippines	62.19	14.68	18.56	15.82	⇧	⇧	⇧
	Lanao del Norte	73	-	24.66	45.21	-	⇧	⇧
	Lanao del Sur	74	-9.46	25.68	-	⇩	⇧	-
	Maguindanao	74	14.86	8.11	-8.11	⇧	⇨	⇨
	North Cotabato	73	5.48	12.33	10.96	⇧	⇧	⇧
	Sultan Kudarat	75	2.67	8.00	-	⇨	⇨	-
	Cotabato City	70	-7.14	0	7.14	⇩	⇨	⇨
Fish, galunggong	Philippines	102.19	-18.24	-29.17	-23.66	⇩	⇩	⇩
	Lanao del Norte	93	-	-7.53	17.2	-	⇨	⇧
	Lanao del Sur	114	12.28	-0.88	-	⇧	⇨	-
	Maguindanao	119	2.52	-3.36	-0.84	⇨	⇨	⇨
	North Cotabato	131	12.21	13.74	-3.05	⇧	⇧	⇨
	Sultan Kudarat	103	-14.56	-20.39	-	⇩	⇩	-
	Cotabato City	123	6.50	-5.69	-5.69	⇨	⇨	⇨
Beef	Philippines	244.41	-0.02	0.46	0.60	⇨	⇨	⇨
	Lanao del Norte	215	-	0	-2.33	-	⇨	⇨
	Lanao del Sur	250	0	0	-	⇨	⇨	-
	Maguindanao	185	3.78	2.70	-	⇨	⇨	-
	North Cotabato	178	6.18	5.62	0	⇧	⇨	⇨
	Sultan Kudarat	178	0	-3.37	-	⇨	⇨	-
	Cotabato City	175	-2.86	-2.86	-14.28	⇨	⇨	⇨
Chicken	Philippines	126.47	0	-3.49	2.14	⇨	⇨	⇨
	Lanao del Norte	128	-	-2.34	3.13	-	⇨	⇨
	Lanao del Sur	125	-6.40	-8.00	-	⇩	⇨	-
	Maguindanao	139	2.16	-2.88	-0.72	⇨	⇨	⇨
	North Cotabato	132	-1.52	-6.06	-4.55	⇨	⇨	⇨
	Sultan Kudarat	140	-2.14	-0.71	-	⇨	⇨	-
	Cotabato City	130	-7.69	-11.54	3.85	⇩	⇩	⇨
Pork	Philippines	182.24	0.97	2.42	2.78	⇨	⇨	⇨
	Lanao del Norte	173	-	4.62	6.94	-	⇨	⇨
	Lanao del Sur	-	-	-	-	-	-	-
	Maguindanao	-	-	-	-	-	-	-
	North Cotabato	157	5.10	5.10	-0.64	⇨	⇨	⇨
	Sultan Kudarat	150	-2	-5.33	-	⇨	⇨	-
	Cotabato City	160	-3.13	3.13	3.13	⇨	⇨	⇨

[1] *BAS-DA, Updates on Palay, Rice and Corn Prices*
[2] *Average retail prices in the 17 trading center surveyed by BAS-DA*

⇧ Price increase above normal price fluctuation
⇨ Normal price fluctuation
⇩ Price decrease below normal price fluctuation
- Price of commodity not available

Price fluctuation is considered normal if the price change is within 5% for 1 month, or within 10% for 3 months or within 15% for one year.

References

1. Bureau of Agricultural Statistics, Department of Agriculture. *http://www.bas.gov.ph*
2. Department of Energy. Oil Monitor. *http://www.doe.gov.ph/opm/oilmonitor.htm*
3. National Statistics Office. *http://www.census.gov.ph*
4. Social Weather Stations. *http://www.sws.org.ph*

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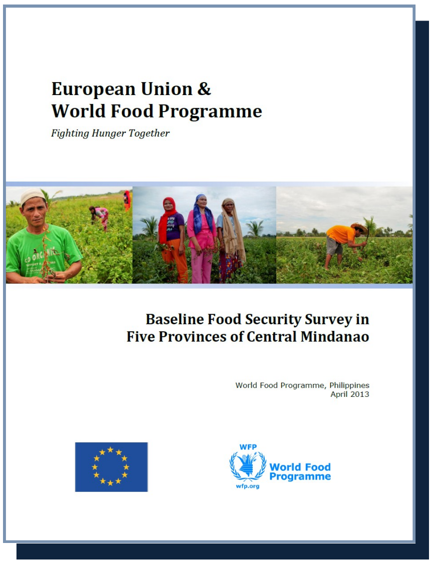
Baseline Food Security Survey in the Five Provinces of Central Mindanao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Baseline Food Security Survey in
Five Provinces of Central Mindanao

World Food Programme, Philippines
April 2013

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Between 20 February and 2 March 2013, WFP collected data for a baseline survey for the EU project indicators. The survey covered over 1,600 households and over 100 communities across the five provinces in Central Mindanao. Initial analyses revealed the following:

About 86 percent households borrowed money to purchase food (or purchase food on credit). Eighty two percent of the household are holding some form of debt. Very few households spend borrowed money for health care (7 percent), agricultural input or livestock purchase (2 percent), and for other expenses (2 percent) such as education, loan repayment, non-food household needs, start-up capital for livelihood, etc.

Households have one to four sources of livelihood with the majority having one or two. When all the sources are reviewed, products from crop farming and gardening is the major household livelihood and income source (34 percent), followed by daily/common labour (13 percent), wholesale and retail trade (18 percent), transportation, and storage and communication services (11 percent).

Food consumption score (FCS) is a good proxy indicator of household food security levels. FCS is a composite score for a household that takes into account the frequency of consumption of various food groups and their relative importance in a household's diet (diversity weight). Scores are categorized into poor, borderline, and acceptable consumption.

Overall, one in every five households was found to have poor food consumption and over a quarter of the households have borderline food consumption pattern. The overall food consumption level indicates that 54 percent of households have acceptable food consumption; 27 percent fall are borderline; and 19 percent have poor food consumption. The results show that the provinces of Lanao Del Notre, Lanao Del Sur and Maguindanao have a significant proportion of households in the poor and borderline food consumption levels. Looking further at the food consumption levels by residency status, the following pattern was observed: IDPs are the worst (36 percent poor, 25 percent borderline), followed by returnees (20 percent poor and, 30 percent borderline), and the resettled (21 percent poor and, 28 percent borderline). Households that never experienced being displaced have relatively better food consumption (18 percent poor and, 26 percent borderline).

On coping mechanisms during shortages of food or cash to buy food, households use cheaper and less preferred food commodities nearly every day (42 percent), borrow money or rely on friends' support once in a while (51 percent), limit proportions of meals (43 percent), restrict adults' consumption in favour of children (35 percent), reduce the number of meals in a day (32 percent), and once in a while skip meals (17 percent).

If they were given a choice, majority of the households chose cash as the preferred modality of assistance (51 percent), followed by combined food and cash (29 percent), and food alone (20 percent). If they receive cash, households reported that they would invest in improving their livelihood. Three household priorities stood out: food takes the lead (39 percent) and this is as high as 48 percent in Lanao del Norte, followed by cash (36 percent), then housing materials/shelter.

Project Update: FAO embarks on a Regional Rice Initiative

The Food and Agriculture Organization (FAO) of the United Nations is implementing the Regional Rice Initiative Pilot Project (RRI Project) in line with its Strategic Objective 2 (SO2) of increasing and improving the provision of goods and services from agriculture, forestry and fisheries in a sustainable manner. It is also linked to the Rice Strategy for Asia being developed by FAO Regional Office in response to the recommendation of the 31st Session of the FAO Regional Conference for Asia and the Pacific (APRC). The RRI project has global and regional components and pilot activities are conducted in three countries- Laos, Indonesia, and Philippines.

Overall, RRI would like to look into the full scope of goods and services produced by, and in rice agroecosystems in the region. In the three selected pilot countries, RRI aims to augment awareness among pilot farmer communities and policy makers about the contribution of ecosystem services to production and sustainability of rice systems. The project also intends to assist policy makers in assessing different feasible production practices, trade-offs and synergies, thus, empowering them to make informed decisions on rice market. Further, it also accounts for the potential impacts of climate change, and social and cultural value of regional rice systems.

The RRI, in its pilot stage, has four components, with each component providing a number of outputs into implementation modalities of information management and knowledge sharing and feeding into regional and global policy and strategy formulation process. These components are water and rice/fish systems; biodiversity, landscape, and ecosystem services; management practices; and social, economic and policy.

For the Philippines, RRI will support the overarching goals of the Philippine Development Plan (PDP) 2011-2016, particularly in addressing food security and raising incomes in the agriculture sector. The Project is in line with the Department of Agriculture's Food Staples Sufficiency Program (FSSP), which is under the *Agrikulturang Pilipino* (Agri-Pinoy) framework and is consistent with it's four guiding principles on food security and self-sufficiency; sustainable agriculture and fisheries; natural resource management; and local development. Expected to end by December 2013, RRI's outputs and lessons learned are expected to contribute to the crafting of the Regional Rice Strategy for Asia.

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