



Global Recession Impact News (GRIN) and Positioning for the Rebound

**Acting Secretary Augusto B. Santos
National Economic and Development Authority**

October 27, 2009

FOOD SITUATION

Threat of hunger spreads in the world

- Now 1.02 billion undernourished – a sixth of the world
- Additional 105 M hungry people compared to 2008
- Food crisis and global economic crisis “sharply increased” the number of hungry people
- MDG Goal – to halve the number of people suffering from hunger - may not be achieved
- FAO: world leaders must urgently find “a broad consensus on the total and rapid elimination of hunger”

Sources: <http://ph.news.yahoo.com/afp/20091014/twl-un-food-6d10327.html>, <http://news.smh.com.au/breaking-news-world/economic-crisis-requires-swift-action-on-hunger-fao-chief-20091017-h1h5.html>, <http://af.reuters.com/article/topNews/idAFJOE59F0IS20091016>



More facts on global hunger

- "This represents more hungry people than at any time since 1970 ."
-- FAO
- Most rich countries renege on pledges to increase food and farm aid to poor nations
- Brazil 's Zero Hunger program has cut child malnutrition by 73 percent and child deaths by 45 percent



Problems in the global food system

- (a) Food prices significantly higher than the averages in the 1990s
- (b) Fall in global food stockpiles
- (c) Rush to use agricultural land to produce biofuels
- (d) Shift in eating habits in emerging markets
- (e) Slowing growth in agricultural output due to lack of investment in R&D; and
- (f) Climate change

Sources: <http://ph.news.yahoo.com/afp/20091014/twl-un-food-6d10327.html>, <http://news.smh.com.au/breaking-news-world/economic-crisis-requires-swift-action-on-hunger-fao-chief-20091017-h1h5.html>, <http://af.reuters.com/article/topNews/idAFJOE59F0IS20091016>

Impact of typhoons Ondoy and Pepeng on agriculture

- DA damage estimate: Agriculture and Fisheries at P23.5 billion.
- Palay: P 19.7 billion. 155,519 hectares affected, and 1.1 metric tons (MT) lost
- Corn: P 732.5 million. 12,602 hectares damaged, and 53,299 MT lost.

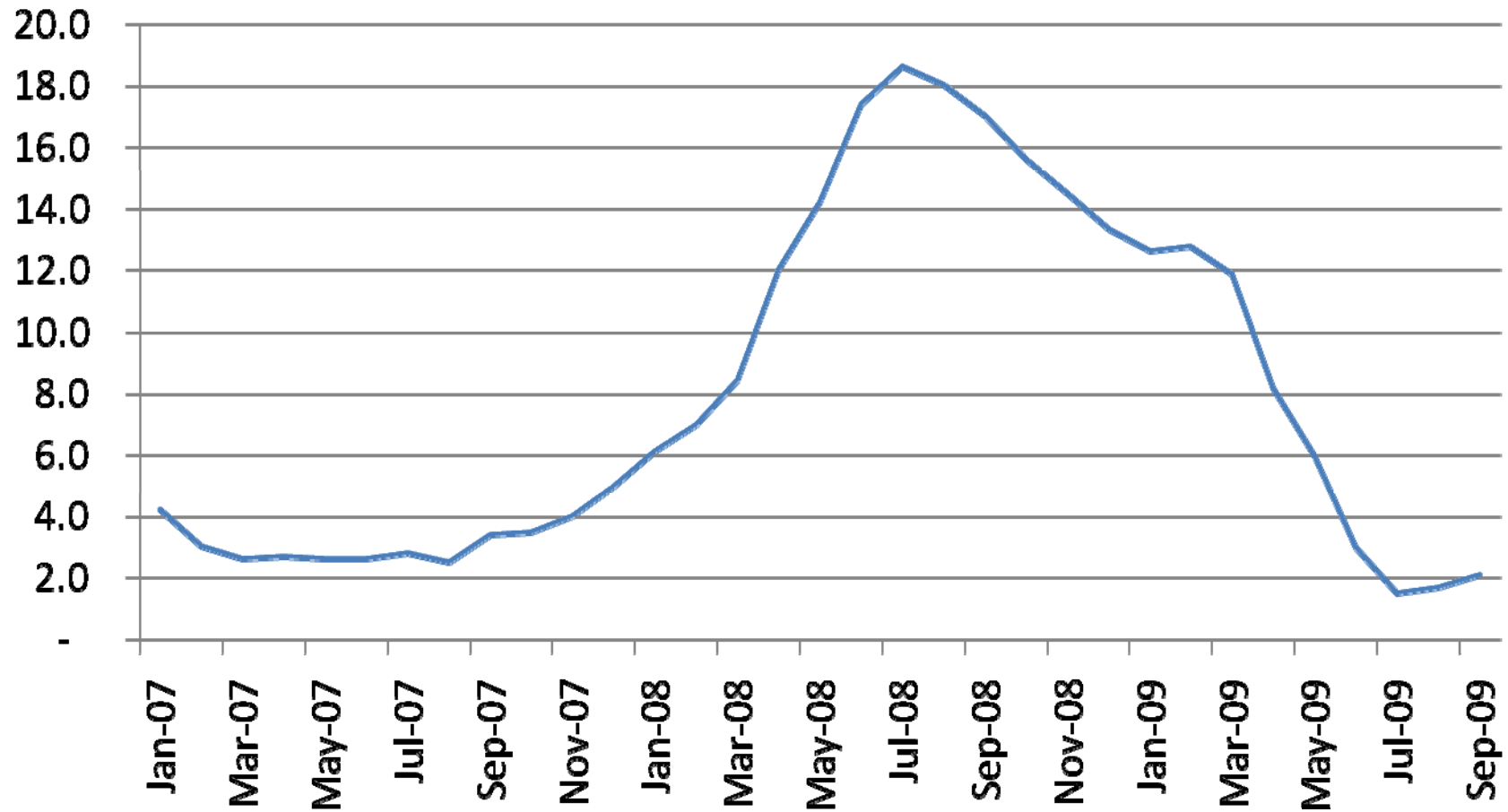


DA efforts to hike food production

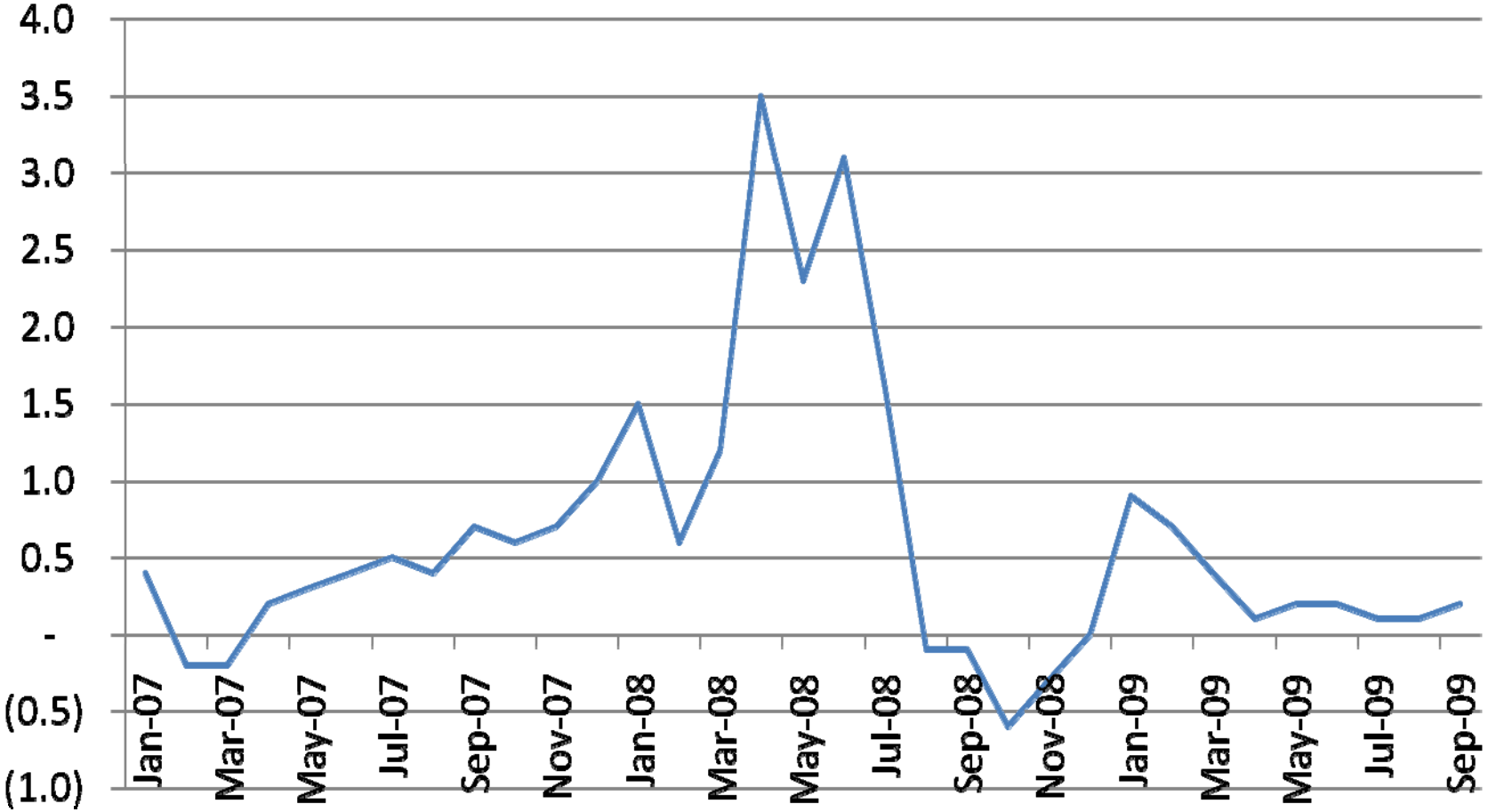


- a. Reengineering of DA budget
- b. Strengthening of statistics and forecasting capability
- c. Distribution of climate-ready seeds
- d. Engineering of climate change adapted infrastructure
- e. Enabling more financing for agriculture
- f. Dissemination of more information, knowledge, and training
- g. Allocation of more than 30 percent each of program budget to GMA Rice Program and fisheries

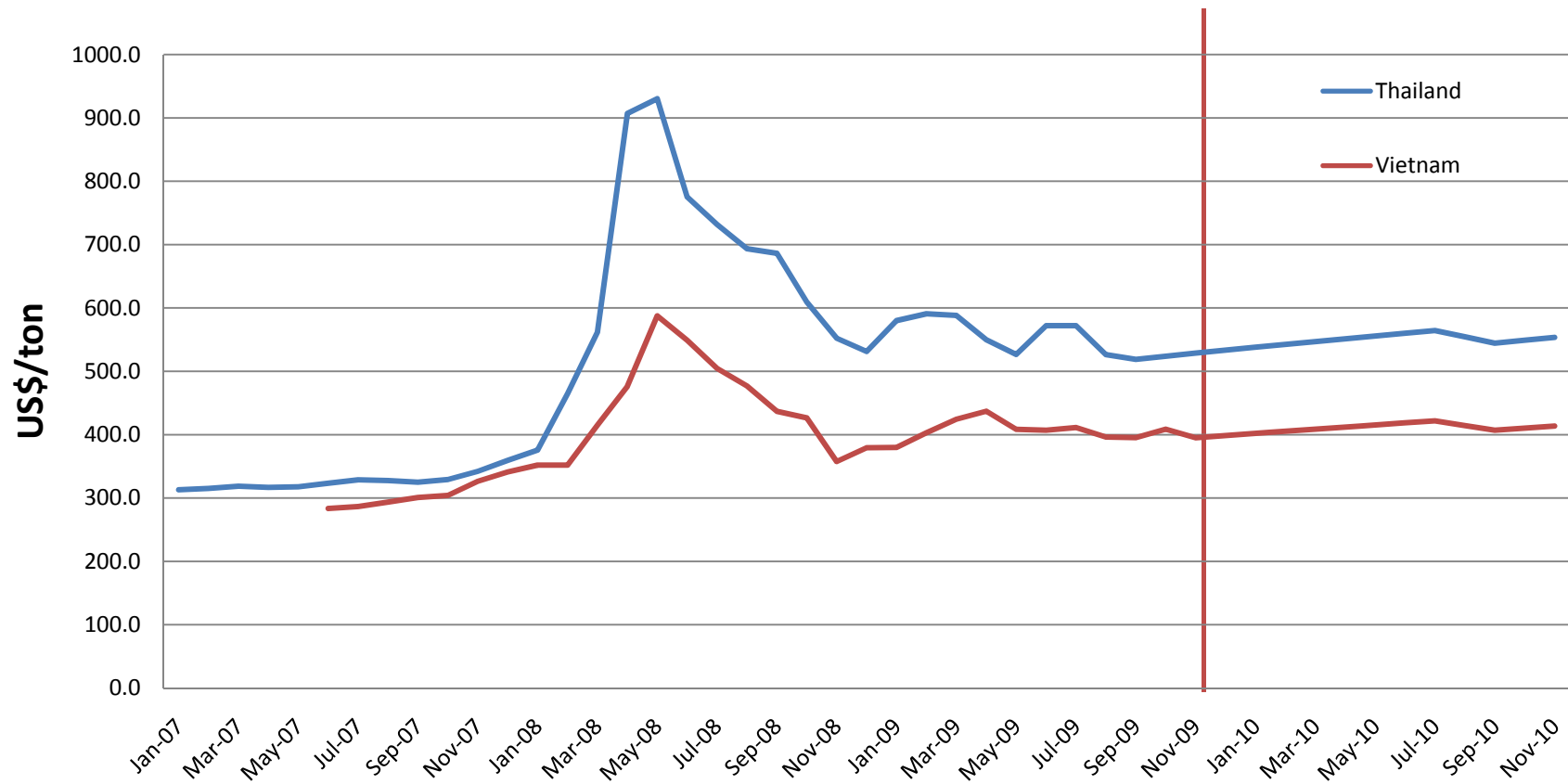
Philippine food inflation (year-on-year)



Philippine food inflation (month-month)



Prices of rice (5% broken)



*Futures prices derived using rough rice futures data (as of 20 October 2009)

Philippine food prices stable now, but threats remain

- FAO : growing link between agriculture, energy, and financial sectors makes food more vulnerable
- FAO: Weaker US dollar and sharp rebound of oil prices can hike food prices
- Typhoon impacts



Hunger incidence fell – before Typhoons Ondoy and Pepeng

- Based on the SWS Survey (Sept. 18-21), hunger incidence fell to 17.5 % in Q3 2009 from 20.3 % in Q2
- Hunger declined in all areas, except Metro Manila
- But people stranded in the floods most likely went hungry
- Pepeng cut off vegetable deliveries from northern Luzon
- Expect spike in hunger in next poll



Must understand dynamics of hunger

- What variables correlate the most with hunger?

Many candidates:

inflation, food inflation,

rice prices, fuel prices, NFA distribution system

unemployment, underemployment, wage rates,

typhoons, armed conflict, etc.

- Need for full econometric study

Targeting the hungry is key to fighting hunger, not broad approaches

- The 4Ps program: focused targeting of 700,000 bottom-poor families. In contrast with geographical targeting in the Accelerated Hunger Mitigation Program (AHMP).
- NFA: Jan-Sept. subsidy of P 8.6 B from the Tindahan Natin Program and P 1.5 B from Bigasan sa Parokya (Anti-Hunger Task Force meeting 8, Oct 22.)
- Ongoing DSWD proxy-means test survey to identify the bottom-poor families; full report by 1st quarter of 2010

FUEL SITUATION

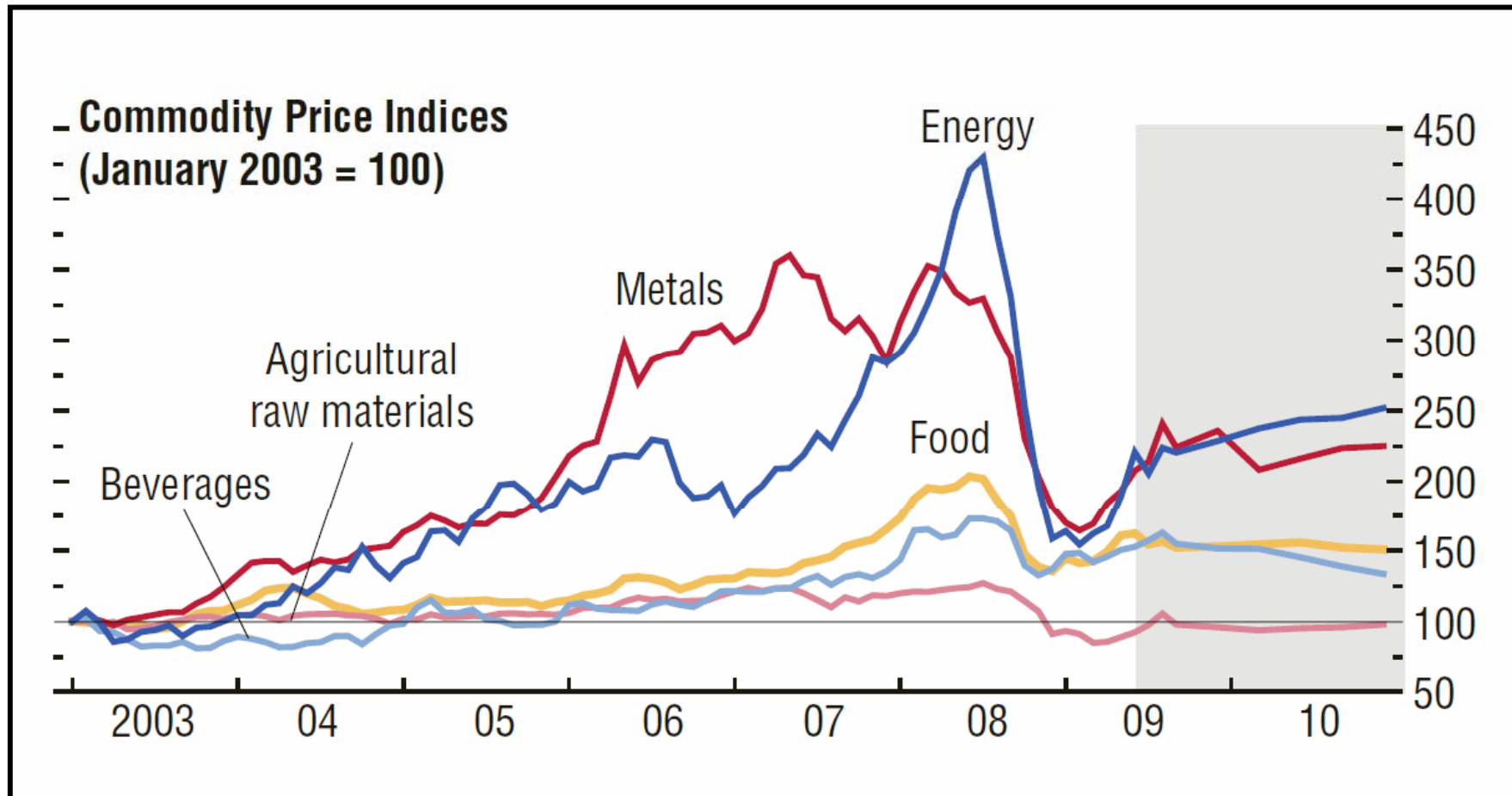


World oil demand rises, pushes prices upwards

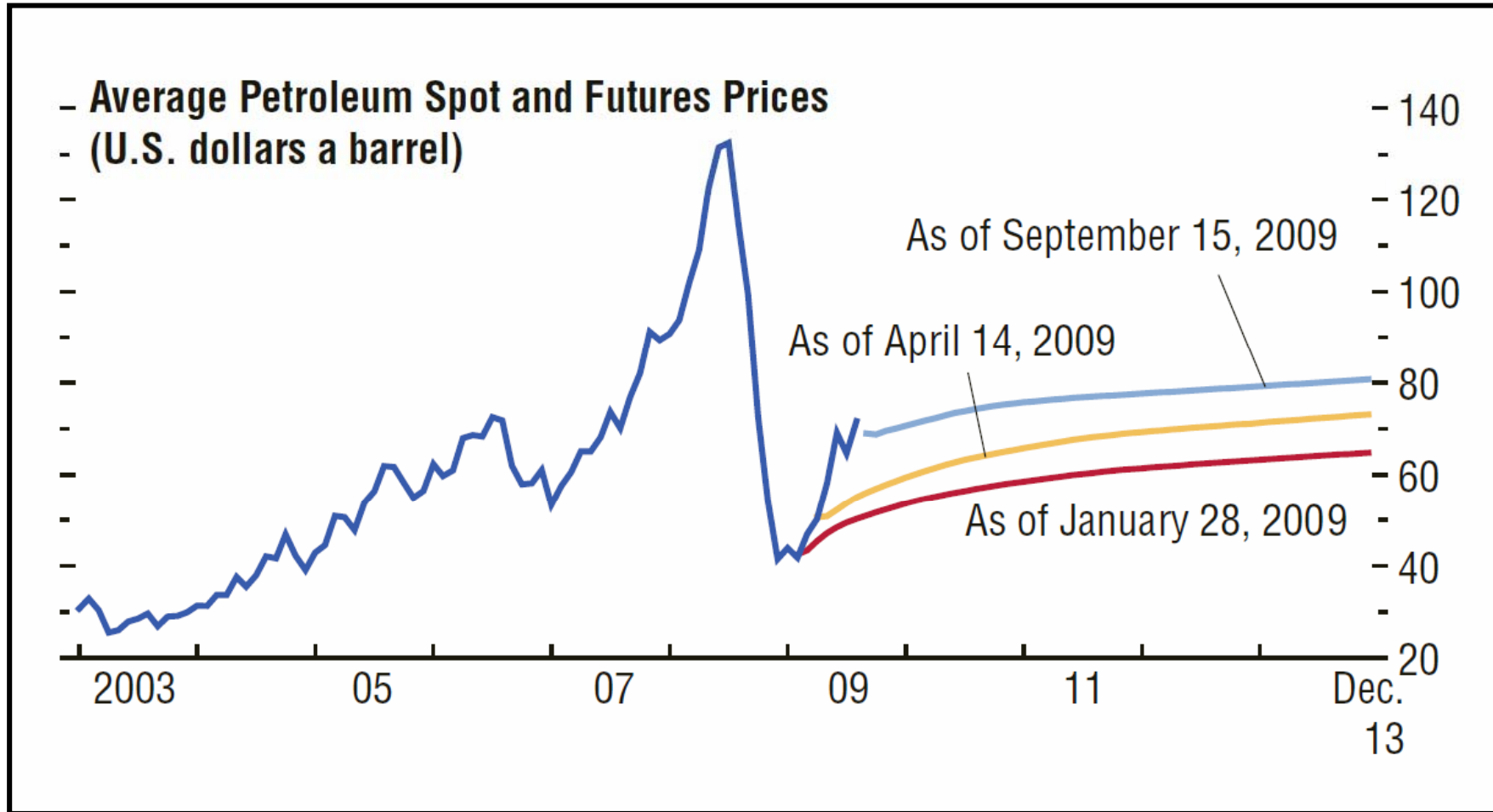
- Causes: weak dollar, higher demand due to hope of economic recovery, early start of cold weather in US
- “Stunning records for cold” across the US
- IEA : a rise in demand at end-2009 and into 2010
- OPEC: world oil demand to decline slightly in 2009 but start growing in 2010
- Bulk of demand growth in 2010 from China, Middle East, India, and Latin America

Sources: http://news.yahoo.com/s/afp/20091013/bs_afp/opeccommoditiesenergyoiloutputforecast;
<http://business.inquirer.net/money/breakingnews/view/20091013-229791/Oil-prices-rise-on-demand-recovery-forecast>;
http://news.yahoo.com/s/afp/20091013/bs_afp/commoditiesenergyoilprice

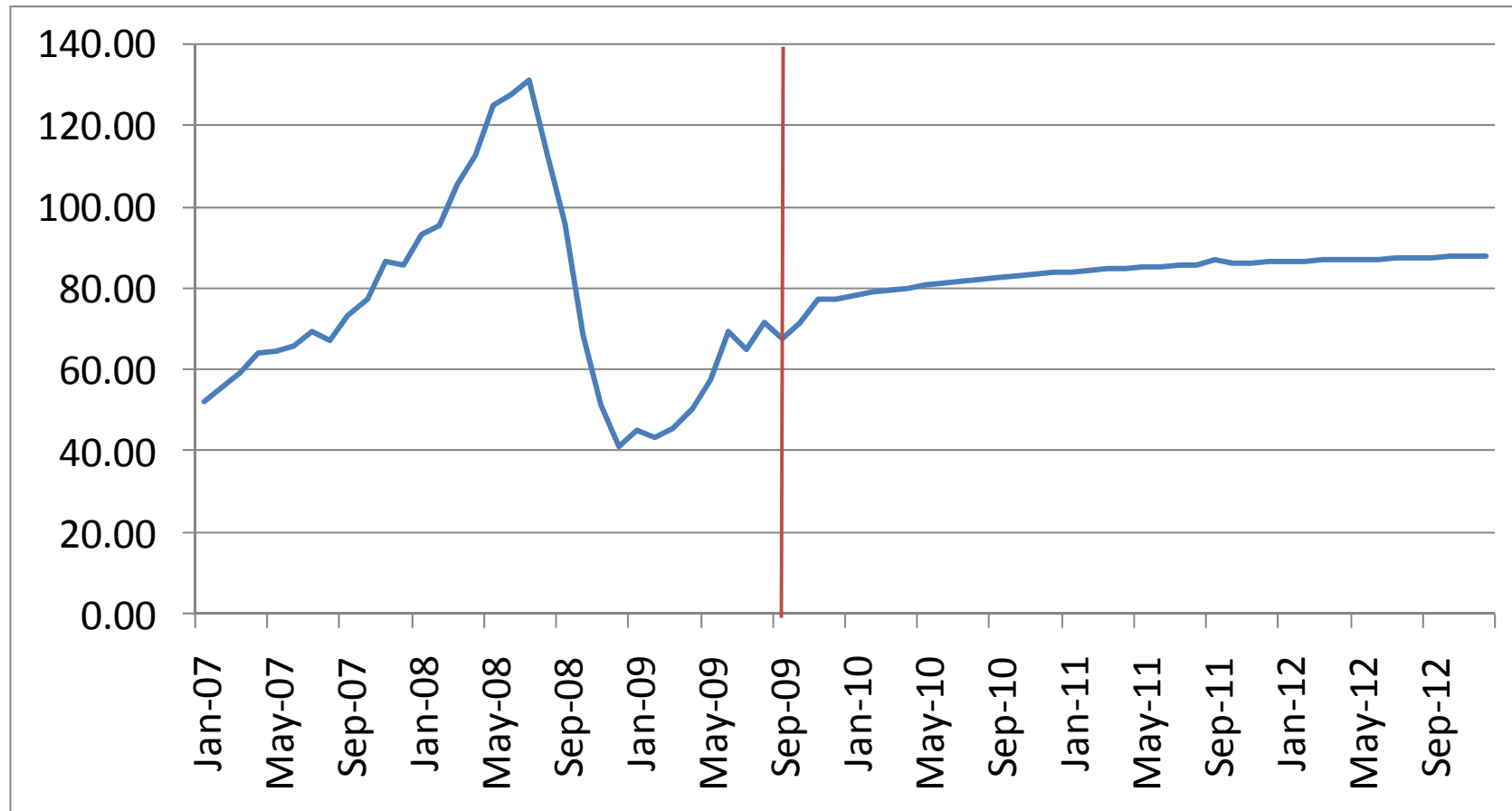
Commodity and petroleum prices



Petroleum prices



Dubai crude oil prices (US\$/bbl)

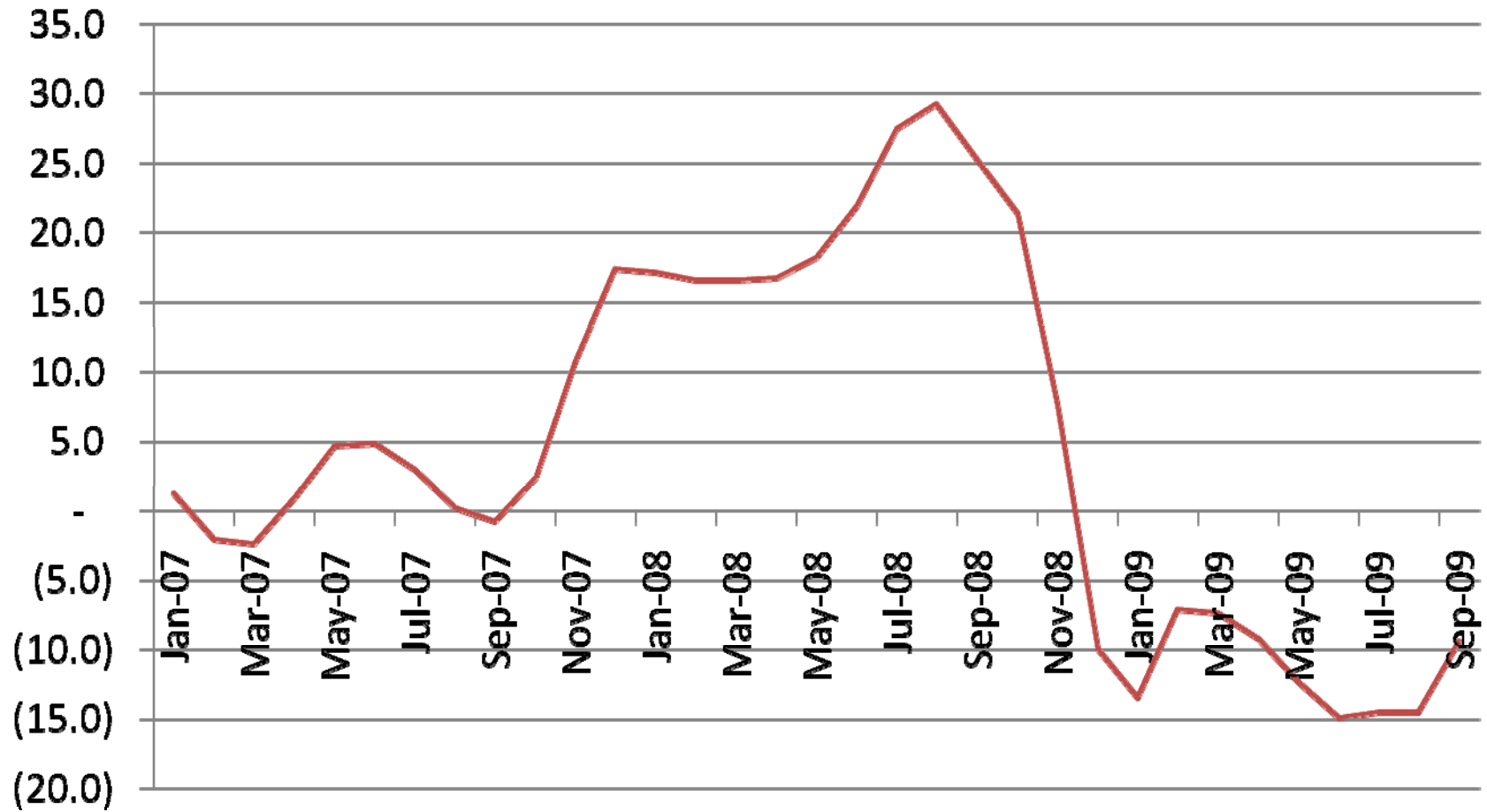


*Futures prices derived using Brent crude oil futures data (as of 20 October 2009)

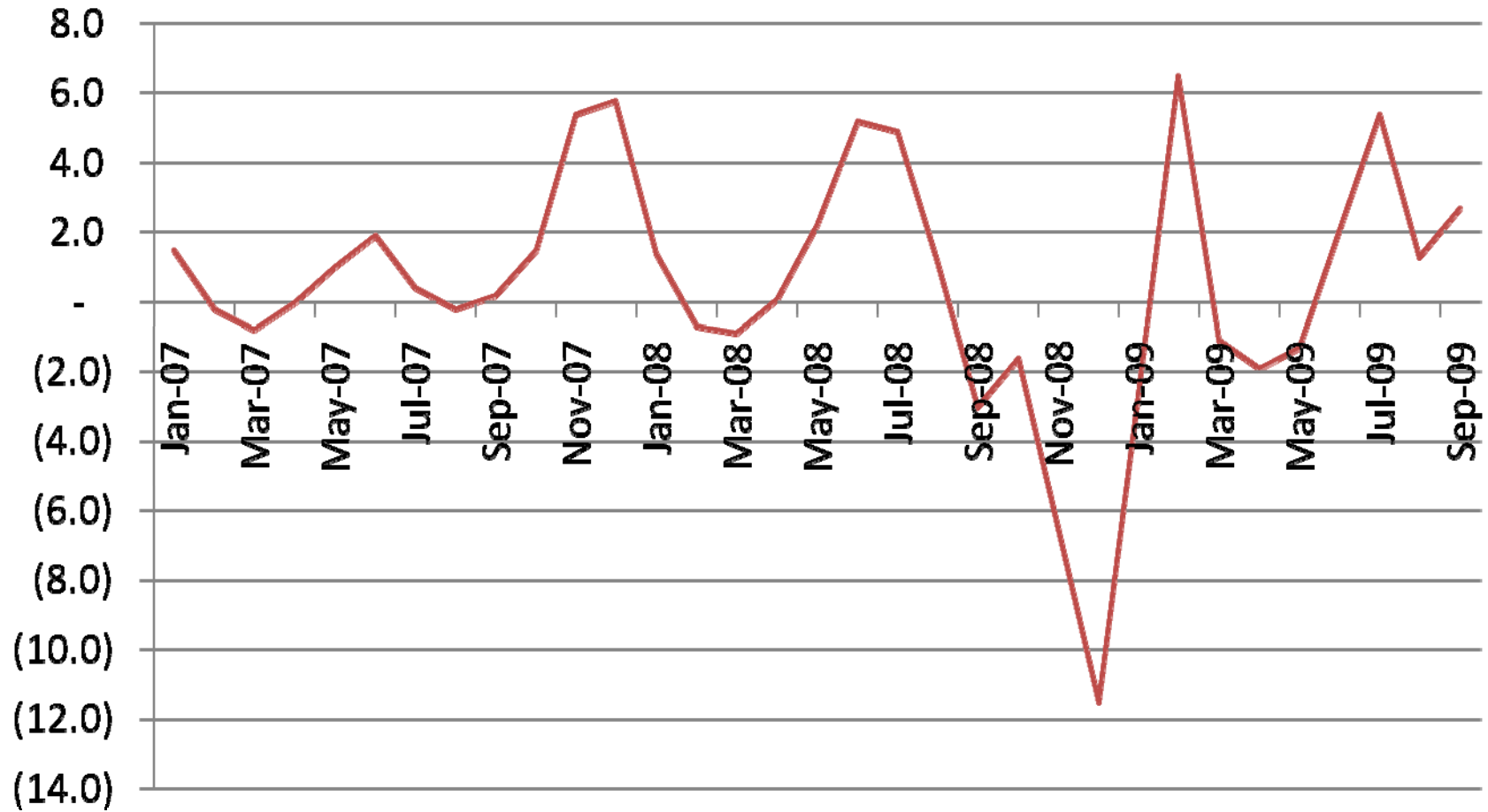
Pres. Obama calls for scrapping fuel subsidies; this will help the poor

- Pres. Obama calls for eliminating fossil fuel subsidies worth \$300 billion every year
- Scrapping subsidies can free money which can be used for better-targeted assistance for the poor
- Energy subsidies in Indonesia took up 25% of government spending – but only 10% went to the poor, as it was enjoyed by vehicle owners

Philippine fuel inflation (Year-on-Year)



Philippine fuel inflation (month-on-month)



Recommendations

1. For the sake of global solidarity, lend our voice to help prod the rich nations on their food aid commitments for the poorest countries.
2. Do a full econometric study on hunger here to determine what policies & variables best fight hunger.
3. Converge anti-hunger projects to the finely targeted beneficiaries of the cash transfers program (4Ps).
4. Accelerate the ongoing DSWD proxy-means test survey to identify the bottom-poor families. Finish the list by year-end.

Recommendations

5. Examine what can be learned from President Lula da Silva's Zero Hunger program.
6. Consider stopping rice distribution in schools and instead increase cash assistance to 4P beneficiaries; Consolidate funding for the FSP into the 4Ps .
7. No let-up in developing renewables, as oil prices will keep rising in the medium term.
8. In case oil spikes again, do not turn to fuel subsidies – or public funds for the poor will just benefit the rich and middle class.
9. Ensure that food supply remains secure

THANK YOU