



Price and Food Security Update

Philippines

Issue 1

July 2011

Highlights

- Inflation in the month of June rose to 4.6% from 4.5% in May 2011. The inflation came in at the lower end of the Central Bank's forecast of 4.6% to 5.5% for the month.
- The key driver of inflation is the prices of fuel while prices of basic commodities have largely stabilized.
- Production of major staple crops such as palay, white corn and cassava increased in the first quarter of the year compared to a year ago.
- WFP and FAO's European Union (EU) supported projects in Central Mindanao and Luzon, respectively, show positive and encouraging results.

Main Price Trends

General Inflation

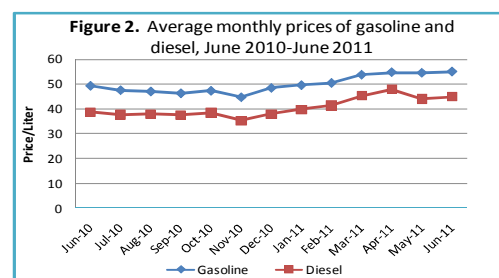
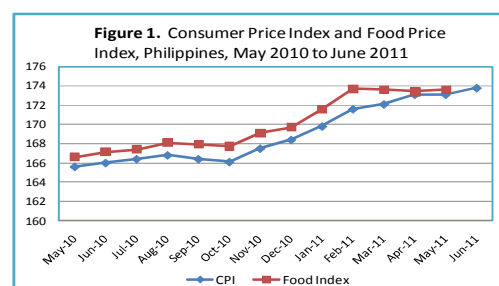
In **June 2011**, the country's general consumer price index increased by 0.40 percentage points from the previous month (Figure 1). Since the 0.17 percentage points drop from **February to April 2011**, the food price index began to increase again. Food price index is up by 0.12 percentage points in May 2011.

Fuel Prices

Retail prices have fluctuated over the course of the second quarter (Figure 2). The price of gasoline increased by 0.89 percent from May 2011 to June 2011. Retail price of diesel increased by 2.06 percent.

Main staple food commodity prices

- Farmgate price of paddy in June was down by 0.76 percent from the average price of Php15.84/kg in May.
- Slight decrease in the average retail price of regular milled rice was observed between May and June. Retail regular milled rice went down by 0.03 percent.



- According to the recent update of the Bureau of Agricultural Statistics, downtrend was observed in prices of cooking oil, brown sugar, and refined sugar in most of the trading centers in the country. Prices of pork and beef products were stable while poultry products decreased in some trading centers.

Food Production

Palay Production

Palay production for **January-March 2011** was 4.04 million MT, 15.6% higher than last year's 3.49 million MT. Cagayan Valley and Western Visayas were the largest contributors to the increase in the national palay output.

Corn Production

The **January-March 2011** corn output was recorded at 1.91 million MT. This was 312.4 thousand MT or 19.5% above the 1.60 million MT produced in the same quarter last year. The

regions with major contributions to the increment in the national corn output were Cagayan Valley, Northern Mindanao, SOCCSKSARGEN and Western Visayas

Sweet Potato (Camote)

Production was recorded at 116.57 thousand MT during the first three (3) months of 2011. This indicated a 2.62 percent decline from the previous year's 119.73 thousand MT. This was partly due to the continuous rainfall in Camarines Sur, Catanduanes, and Sorsogon in the Bicol Region and in all the provinces of Caraga.

There was a reported crop shifting to cassava in Bohol in Central Visayas.

Cassava

Production of cassava was 450.86 thousand MT in the first quarter of 2011 or 3.81 percent higher than the 434.32 thousand MT in 2010. There was a continued expansion of contract growing scheme extended by San Miguel Corporation (SMC), B-MEG, and other cassava chip millers in Central Visayas, Northern Mindanao and Eastern Visayas.

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Food Production... (Continued from page 1)

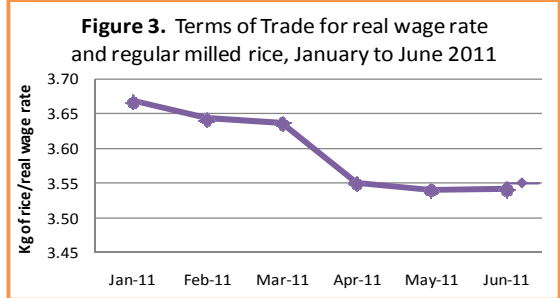
In Cagayan Valley, area planted to cassava continually increased over the past quarters.

Mung Bean (Monggo)

Production of mungo in the 1st quarter of 2011 was estimated at 6.89 thousand MT, lower by 5.95 percent compared with the 2010 production of 7.33 thousand MT. The decline in production was traced to crop shifting to tobacco and okra which led to the decrease in area cultivated to mungo in the Ilocos Region, the top mungo producer. Delayed plantings caused movement of harvest to the second quarter this year in Cagayan Valley and Western Visayas.

PRELIMINARY INSIGHTS ON THE EFFECTS OF FOOD PRICES AT THE HOUSEHOLD/COMMUNITY LEVEL

There were no adjustments in the real wage rates for the second quarter across the country amidst the increase in fuel prices and fluctuating cost of basic commodities. Terms of Trade (ToT), defined as the ratio of the daily wage rate to the price of rice, was calculated using the lowest real wage rate reported across regions.



For both agriculture and non-agriculture workers in ARMM, gradual and continuous decrease was observed in ToT from January to April 2011 (Figure 3). From May to June, ToT remained stable.

PROJECT UPDATES

Food for Assets Projects under the EU Food Facility Project in Mindanao

Assistance for the 106,000 returnees and other food-insecure households in conflict-affected areas in Central Mindanao is sustained through the expanded partnership of Department of Social Welfare and Development (DSWD) and WFP and the support from the European Union (EU) through its Food Facility programme.

Beneficiaries are receiving rice incentives for their participation in community-designed, livelihood strengthening activities such as sustainable crop and fisheries production, rehabilitation of irrigation canals, communal gardening, and women's rope making and mat making activities. These community driven activities

are deemed to make the families self-sufficient and self sustaining through rebuilding and rehabilitating community assets and developing livelihood skills. Beneficiary feedback have been extremely positive and encouraging. These activities allowed them to diversify their income earning opportunities.



Vegetable garden maintained by women of Carmen, North Cotabato

EU-FAO project helps increase rice yields by 1MT/ha



In most rice farms, 4,000 liters of irrigation water is used to produce 1kg of rice. With the use of controlled irrigation (CI), up to 1,400 liters or 35% of irrigation water can be conserved.

The project "Increasing Rice Yield and Productivity through the Promotion of Small-Scale Irrigation and Integrated Crop Management Systems in Rainfed Areas" implemented by the FAO and the Department of Agriculture (DA) and funded by the European Union (EU), ends on a high note after its 18-month

implementation. Around 4,000 beneficiary farmers in the provinces of Pangasinan, Bulacan, Pampanga, Nueva Ecija and Tarlac have seen their yield increase by an average of 1 MT/ha.

A National Dissemination Workshop participated by donors and various stakeholders was held on 7

July 2011 at Sofitel Philippine Plaza to present the results of this very successful project. EU Ambassador Guy Ledoux and FAO Representative Kazuyuki Tsurumi, expressed their satisfaction for the excellent results obtained by the farmers and the significant achievements of the project to help boost the government's Rice self-sufficiency program.

References

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